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PINE TECHNOLOGY  
HOLDINGS LIMITED  
松景科技控股有限公司\*

(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 1079

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ANNUAL  
REPORT | 2021  
年度報告

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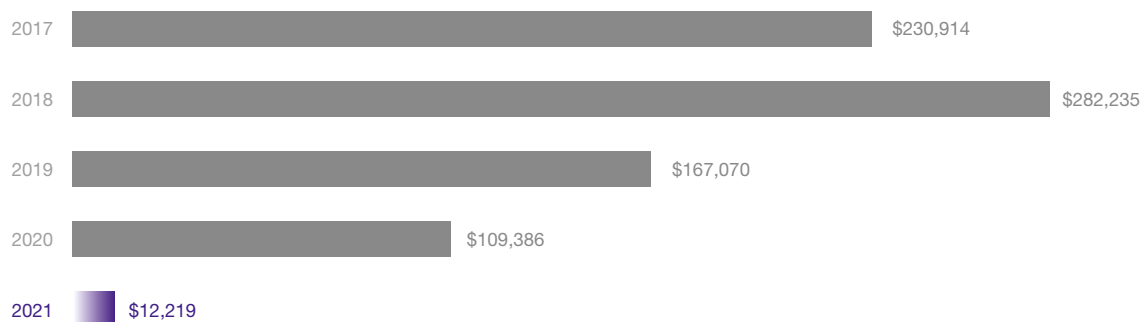
## CONTENTS

	<i>Page(s)</i>
Financial Highlights .....	2
Corporate Information .....	3
Chairman’s Statement .....	4
Management Discussion and Analysis .....	5–8
Directors’ Biographies .....	9–13
Corporate Governance Report .....	14–23
Directors’ Report .....	24–36
Independent Auditor’s Report .....	37–39
Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	40
Consolidated Statement of Financial Position .....	41–42
Consolidated Statement of Changes in Equity .....	43
Consolidated Statement of Cash Flows .....	44–45
Notes to the Consolidated Financial Statements .....	46–103
Five Years Financial Summary .....	104

# FINANCIAL HIGHLIGHTS

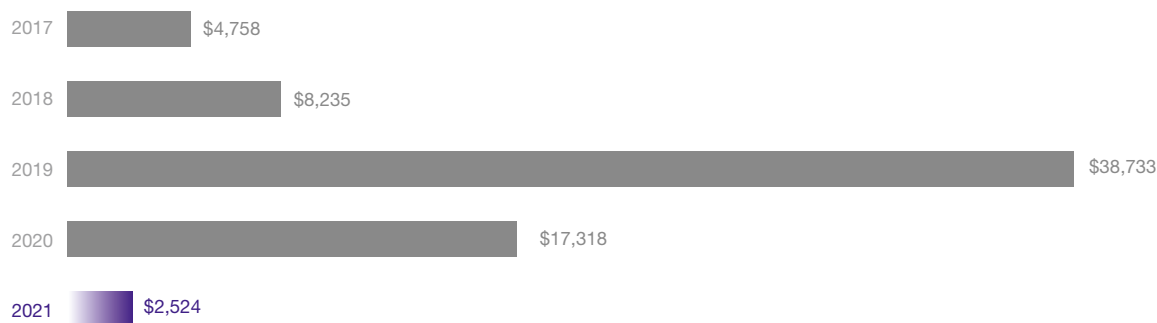
## REVENUE

US\$ Unit in Thousands



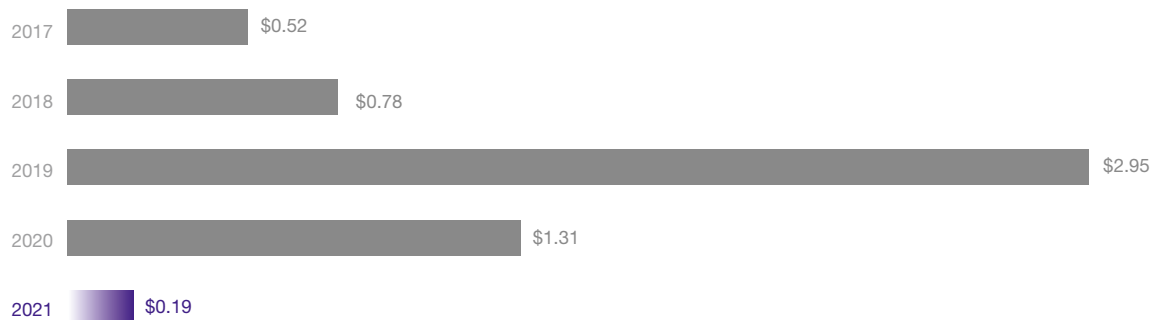
## LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

US\$ Unit in Thousands



## BASIC LOSS PER SHARE

US\$ Unit in Cents



## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Mr. Zhang Sanhuo  
(Chairman and Chief Executive Officer)  
Mr. Chiu Hang Tai (Resigned with effect  
from 2 December 2020)  
Mr. Chan Cheuk Ho

#### Independent Non-executive Directors

Mr. So Stephen Hon Cheung  
Mr. Zhou Chunsheng  
Mr. Tian Hong

### Company Secretary

Mr. Chan Cheuk Ho

### Authorised Representatives

Mr. Zhang Sanhuo  
Mr. Chan Cheuk Ho

### Audit Committee

Mr. So Stephen Hon Cheung (Chairman)  
Mr. Zhou Chunsheng  
Mr. Tian Hong

### Remuneration Committee

Mr. So Stephen Hon Cheung (Chairman)  
Mr. Zhang Sanhuo  
Mr. Zhou Chunsheng  
Mr. Tian Hong

### Nomination Committee

Mr. Zhang Sanhuo (Chairman)  
Mr. So Stephen Hon Cheung  
Mr. Zhou Chunsheng  
Mr. Tian Hong

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head Office and Principal Place of Business

Unit B, 12/F., Central 88  
88–98 Des Voeux Road Central  
Central  
Hong Kong

### Principal Bankers

Bank of Communications (Hong Kong) Limited  
Bank of China Guangdong Branch  
Industrial and Commercial Bank of China  
(Guangdong Provincial Branch)

### Principal Share Registrar and Transfer Agent

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Independent Auditor

ZHONGHUI ANDA CPA Limited  
Certified Public Accountants

### Legal Adviser

As to Hong Kong Law:  
Michael Li & Co Solicitors

### Stock Code

1079

### Website of the Company

<https://www.irasia.com/listco/hk/pine>

## CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”) of PINE Technology Holdings Limited (the “**Company**”), I hereby present the annual report of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2021 (the “**Year**”). For the Year, the Group’s revenue was approximately US\$12,219,000, representing an approximate 89% decrease compared to that of last year. The Company turned a gross loss of approximately US\$1,264,000 last year to a gross profit of approximately US\$4,392,000 during the Year. The Group incurred a loss of approximately US\$2,091,000, compared with loss of approximately US\$19,253,000 last year.

During the Year, the business environment was full of uncertainty and turbulence, ignited by the 2019 Novel Coronavirus Disease (the “**COVID-19**”) outbreak and severed by geopolitical upheavals between the People’s Republic of China (the “**PRC**”) and the United States of America (the “**US**”). Business activities and many aspects of life are affected by lockdowns, social distancing, travel restrictions and other measures to contain COVID-19. The rising US-China confrontation has casted obstacles to the continue free flows of capital, technology, and business.

### **Business Outlook**

The Board expects that the global economy and retail environment will continue to remain uncertain and be full of challenges. The Group has been closely monitoring the development of the COVID-19 outbreak and will take a prudent approach and adjust its business strategies to face the challenges when appropriate. The Group will also continue to evaluate the impact of the COVID-19 outbreak on its financial position and operating results from time to time.

### **Appreciation**

On behalf of the Board, I would like to express my sincere gratitude to all of our business partners, customers, suppliers and shareholders for their continuous support. I would also like to express my sincere appreciation to the Group’s management and staff for their commitment and dedication.

**Zhang Sanhuo**

*CHAIRMAN*

Hong Kong, 29 September 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

### Key Performance Indicators

	Audited results for the year ended 30 June		
	2021	2020	Changes
<b>Performance indicators</b>			
Revenue (US\$'000)	<b>12,219</b>	109,386	(97,167)
Gross profit/(loss) (US\$'000)	<b>4,392</b>	(1,264)	5,656
Loss for the year (US\$'000)	<b>(2,091)</b>	(19,253)	17,162
Loss per share – basic (US cents)	<b>(0.19)</b>	(1.31)	1.12
Net Cash from operating activities (US\$'000)	<b>649</b>	3,702	(3,053)
	<b>As at 30 June</b>	As at 30 June	
	<b>2021</b>	2020	Changes
<b>Financial health indicators</b>			
Net current assets (US\$'000)	<b>16,525</b>	16,543	(18)
Current ratio (times)	<b>5.17</b>	4	1.17
Equity attributable to owners of the Company (US\$'000)	<b>26,534</b>	28,832	(2,298)

### Financial Review

For the Year, the Group's revenue was approximately US\$12,219,000, representing an approximate 89% decrease compared to that of approximately US\$109,386,000 last year. The Company turned a gross loss of approximately US\$1,264,000 last year to a gross profit of approximately US\$4,392,000 during the Year.

Operating expenses, including selling and distribution expenses, general and administrative expenses and finance costs, decreased by approximately US\$7,215,000, or approximately 48%, from approximately US\$14,949,000 last year to approximately US\$7,734,000 for the Year. The decline of the operating expenses was mainly resulted from further tightened control on spending throughout the Year.

There were no impairment losses on goodwill and there was a decrease in the change in fair value in contingent consideration for the Year. Other gains of the Group was approximately US\$967,000 for the Year as compared to the other losses of approximately US\$3,228,000 last year. The change was mainly due to the reversal of impairment losses on trade and other receivables and the decrease in the change in fair value in contingent consideration.

The Group recorded a loss attributable to the owners of the Company of approximately US\$2,524,000 for the Year as compared with the loss attributable to owners of the Company of approximately US\$17,318,000 last year.

### **Liquidity, Financial Resources and Charge on Group Assets**

The Group had total current assets of approximately US\$20,484,000 as at 30 June 2021 and approximately US\$22,053,000 as at 30 June 2020. The Group's total current liabilities amounted to approximately US\$3,959,000 as at 30 June 2021 and approximately US\$5,510,000 as at 30 June 2020.

The Group's net current assets and equity attributable to owners of the Company as at 30 June 2021 were approximately US\$16,525,000 and approximately US\$26,534,000, respectively (2020: approximately US\$16,543,000 and approximately US\$28,832,000).

The Group's current ratio, defined as total current assets over total current liabilities, increased from 4 as at 30 June 2020 to 5.17 as at 30 June 2021. The Group financed its operations by internally generated cash flows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

As at 30 June 2021, trade and other receivables with carrying amount of approximately US\$185,000 (2020: approximately US\$193,000) were pledged to secure general banking facilities granted to the Group.

The Group's cash and bank balances increased from approximately US\$4,252,000 as at 30 June 2020 to approximately US\$4,784,000 as at 30 June 2021. Bank borrowings increased from approximately US\$702,000 as at 30 June 2020 to approximately US\$1,497,000 as at 30 June 2021. The Group has maintained a healthy balance sheet with net cash and bank balances (total cash and bank balances less total bank borrowings) of approximately US\$3,287,000 (2020: net cash and bank balances of approximately US\$3,550,000) as at 30 June 2021.

Total liabilities as at 30 June 2021 were approximately US\$6,223,000, representing a decrease of approximately US\$1,231,000, or approximately 17%, relative to the year end of 30 June 2020. The decrease was principally attributable to a decrease of approximately US\$1,882,000 in trade and other payables and an increase of approximately US\$795,000 in bank borrowings.

The Group continued to maintain a healthy financial and cash position. The Company did not carry out any fund raising activities by issuing new shares of the Company during the Year.

### **Share Capital and Capital Structure of the Company**

As at 30 June 2021, the Company had 1,326,701,739 ordinary shares (the "**Shares**") of HK\$0.10 each in issue (2020: 1,326,701,739 Shares).

### **Gearing Ratio**

As at 30 June 2021, the gearing ratio of the Group based on total liabilities over total assets was approximately 16% (2020: approximately 17%).

### **Foreign Exchange Exposure**

The Group carried on its trading transactions mainly in US dollars, Hong Kong dollars, Canadian dollars and Renminbi. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group did not have any hedging arrangement on foreign exchange. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at an acceptable level.

## Business Review

The US-China trade dispute and the outbreak of COVID-19, which have both subsisted for over a year, have adversely affected the global economy and consumer confidence as well as our 2021 financial results.

### **Group's brand products**

For the Year, the segment's revenue was approximately US\$2,000, representing approximately 100% decrease compared to approximately US\$55,369,000 last year. The segment's loss was reduced to approximately US\$2,314,000, compared to last year's loss of approximately US\$13,767,000.

### **Other brand products**

The revenue of the other brand products was approximately US\$4,294,000, representing an approximate 89% decrease compared to approximately US\$39,740,000 last year. The segment's loss was reduced to approximately US\$1,010,000, compared to last year's loss of approximately US\$1,928,000.

### **Money lending service**

For the Year, the segment's revenue was approximately US\$1,163,000, representing an approximate 6% increase compared to approximately US\$1,101,000 last year. The segment's profit was approximately US\$993,000, representing an approximate 35% increase, compared to last year's profit of approximately US\$736,000.

### **Trading business**

For the Year, there was no revenue generated from this segment, compared to that of approximately US\$6,308,000 last year. The segment's loss was approximately US\$268,000, representing an approximate 111% increase, compared to last year's loss of approximately US\$127,000.

### **Computer software and hardware and system development service**

For the Year, the segment's revenue was approximately US\$6,760,000, representing an approximate 2% decrease compared to approximately US\$6,868,000 last year. The gross profit margin slightly increased from approximately 42% last year to approximately 45% for the Year. As a result, a segment loss of approximately US\$730,000 last year turned into a segment profit of approximately US\$1,153,000 for the Year. The increase in segment profit was mainly due to the increase in the gross profit and the fact that no impairment loss was recognised for the Year while approximately US\$481,000 was recognised last year.

## Business Outlook

Looking forward to the coming year, the development of the COVID-19 pandemic (the "**Pandemic**") remains as the most major uncertainty, which, coupled with the increasing geo-political risks, is expected to hinder the recovery of the global economy.

The prospects of the Group in the coming year will be hinged critically on how fast the Pandemic can be fully contained. Looking forward, the Pandemic will have continuous impact on different business segments. The Group will stay alert during the Pandemic and impose necessary measures to minimise any negative impact to the business and the staff of the Group.

Taking into account the abovementioned challenges, the management of the Group is nevertheless confident that opportunities still exist and the Group believes that it can continue to succeed and utilise its competitive strengths and advantages.



The Group's core team will continue to rely on its independent software research and development capabilities (the "R&D") to consolidate the technological advantages of R&D and strive to gain more market share in the computer software and system development service in the PRC from 2021 and onwards.

### **Significant Investments and Material Acquisitions and/or Disposals**

There was no significant investment held by the Group, nor were there any material acquisitions and/or disposals of subsidiaries, associates and joint ventures during the Year.

### **Future Plan for Material Investments or Capital Assets**

As at 30 June 2021, the Group did not have any plan for material investments or capital assets in the coming year.

### **Employees and Remuneration Policy**

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions, individual performance, qualification, experience and the remuneration policies, which are reviewed on a regular basis.

As at 30 June 2021, the Group had 106 employees, including 2 executive directors and 3 independent non-executive directors, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff costs, including directors' emoluments, were approximately US\$5,981,000 for the Year as compared with that of approximately US\$9,529,000 last year.

### **Capital Commitment and Contingent Liabilities**

The Group had no material capital commitment and contingent liabilities as at 30 June 2021 (2020: Nil).

### **Sufficiency of Public Float**

Based on the information that is publicly available to the Company and within the Directors' knowledge as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float throughout the Year and as at the date of this annual report.

### **Donations**

During the Year, the Group did not make any charitable donations (2020: Nil).

### **Environmental Policies and Compliance with Laws and Regulations**

As a responsible corporation, the Group is committed to maintaining a higher environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The Environmental, Social and Governance Report conducted by a professional third party for the Year will be published separately on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company no later than 5 months after the end of the financial year.

## DIRECTORS' BIOGRAPHIES

### BOARD OF DIRECTORS

#### Executive Directors

**Mr. Zhang Sanhuo** (“**Mr. Zhang**”), aged 55, joined the Company on 8 June 2017 and is now an executive Director, the chairman (the “**Chairman**”) and chief executive officer (the “**Chief Executive Officer**”) of the Company, the chairman of the nomination committee (the “**Nomination Committee**”) and a member of the remuneration committee (the “**Remuneration Committee**”) of the Board. He is responsible for overall strategic planning and formulation of corporate strategy of the Company.

Mr. Zhang graduated from 山西財經大學 (Shanxi University of Finance & Economics\*) with a bachelor's degree in accounting and obtained a master's degree in business administration from 長江商學院 (Cheung Kong Graduate School of Business\*). He has over 20 years of experience in corporate management in mining, investment, finance and other industries.

Save for abovementioned, Mr. Zhang is also an executive director of Green Leader Holdings Group Limited (“**Green Leader**”), the shares of which are listed on the Main Board (stock code: 61) of the Stock Exchange.

**Mr. Chan Cheuk Ho** (“**Mr. Chan**”), aged 54, joined the Company on 8 June 2017 as an executive Director and was appointed as the company secretary of the Company (the “**Company Secretary**”) on 4 July 2017. Mr. Chan obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1989 and a master's degree in business administration from the University of Manchester in 2003.

Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003. In the past 20 years, Mr. Chan was the finance director, financial controller and company secretary of several companies listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director, the chairman of the audit committee and remuneration committee and a member of the nomination committee of the board of directors of Eagle Nice (International) Holdings Limited (stock code: 2368). Mr. Chan is also an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the board of directors of Wai Chun Bio-Technology Limited (stock code: 660) and EPS Creative Health Technology Group Limited (stock code: 3860). The shares of these companies are listed on the Main Board of the Stock Exchange.

\* For identification purpose only

### Independent Non-executive Directors

**Mr. So Stephen Hon Cheung** (“**Mr. So**”), aged 65, was appointed as an independent non-executive Director on 13 September 2002. He is the chairman of the audit committee (the “**Audit Committee**”) of the Board and the Remuneration Committee and a member of the Nomination Committee. Mr. So is a director of the accounting firm T.M Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor’s degree in commerce from the University of British Columbia, Canada and was a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong of the PRC. He has extensive experience in the commercial sector of manufacturing, wholesale and trading and in public practice working for various companies in Hong Kong, the PRC and Canada.

Mr. So is an independent non-executive director of Pinestone Capital Limited (stock code: 804), the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since 20 September 2017, the shares of both companies are listed on the Main Board of the Stock Exchange. From March 2000 to December 2014, Mr. So was an independent non-executive director of Skyworth Digital Holdings Limited (stock code: 751) and from April 2011 to February 2017, Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code:1150), the shares of both companies are listed on the Main Board of the Stock Exchange. From August 2017 to June 2019, Mr. So was also an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239), the shares of which are listed on the Main Board of the Stock Exchange.

**Mr. Zhou Chunsheng** (“**Mr. Zhou**”), aged 55, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit, Nomination and Remuneration Committees. Mr. Zhou is currently a professor-in-residence of 長江商學院 (Cheung Kong Graduate School of Business\*). He was an assistant dean, director of the executive education program and a professor of finance of 光華管理學院 (Guanghua School of Management\*) of 北京大學 (Peking University\*). He is a distinguished economist and a winner of the National Excellent Young Researcher Grant. He was an honorary professor at the University of Hong Kong, a visiting professor at the City University of Hong Kong and a member of the 1st and 2nd Listing Committee of the Shenzhen Stock Exchange. Mr. Zhou obtained a master’s degree in mathematics from Peking University and a doctoral degree in economics (finance) from Princeton University in the United States. From 1994 to 1995, he was awarded an honorary doctoral scholarship excellence (Harold Dodds Fellowship) from Princeton University. During 1997 to 2001, Mr. Zhou worked for the University of California and the school of business of the University of Hong Kong. From April to December 2001, at the invitation of China Securities Regulatory Commission (“**CSRC**”), Mr. Zhou acted as a member (deputy level) of the planning and development committee of CSRC. He also became the head of the finance department of 光華管理學院 (Guanghua School of Management\*). Mr. Zhou is an expert in analyzing financial investment, securities markets, capital operation and financial derivatives.

\* For identification purpose only

Mr. Zhou is currently an independent director of Kunwu Jiuding Investment Holdings Co., Limited (“**Kunwu Holdings**”) (a company listed on the Shanghai Stock Exchange) (stock code: 600053). Mr. Zhou is also the director of Nanda Automation Technology Jiangsu Co., Ltd (a company which was delisted from The National Equities Exchange and Quotations System Co., Ltd with stock code: 834876). Mr. Zhou is also an independent non-executive director of Central Holding Group Co. Ltd. (stock code: 1735), the shares of which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of China Information Technology Development Limited (stock code: 8178), the shares of which are listed on GEM of the Stock Exchange, from September 2007 to June 2011, Zhuguang Holdings Group Limited (stock code: 1176), the shares of which are listed on the Main Board of the Stock Exchange, from October 2009 to October 2011, China ITS (Holdings) Co., Ltd. (stock code: 1900) and Green Leader (stock code: 61), the shares of both companies are listed on the Stock Exchange, from September 2008 to June 2018 and from June 2013 to August 2019, respectively. Mr. Zhou was also an independent non-executive director of Zhonghong Holdings Co., Limited (“**Zhonghong Holdings**”) (a company delisted on the Shenzhen Stock Exchange) (Stock code: 000979), from May 2008 to April 2020. He was also an independent non-executive director of Guosheng Financial Holding Inc. (stock code: 002670) and Transfar Zhilian Co., Ltd. (stock code: 002010), the shares of both companies are listed on the Shenzhen Stock Exchange, from July 2015 to April 2020 and June 2015 to May 2020, respectively.

Zhonghong Holdings received an Investigation Notice (《調查通知書》) from the CSRC on 14 August 2018 that the financial reports in 2017 were alleged to contain certain false information. Pursuant to the relevant requirements of the Securities Law of the PRC, investigation had been carried out by the CSRC in respect of the allegation. A decision of administrative punishment (《行政處罰決定書》) and a decision on prohibition from access to market (《市場禁入決定書》) were issued by the CSRC in December 2019 and Mr. Zhou was given a warning and was fined RMB30,000. A decision on disciplinary actions against Zhonghong Holdings Co., Limited and parties concerned (《關於對中弘控股股份有限公司及相關當事人給予紀律處分的決定》) (the “**SZSE Decision**”) was issued by the Shenzhen Stock Exchange on 4 September 2018. Pursuant to the SZSE Decision, there were four incidents of irregularities on the part of Zhonghong Holdings, which are set out below:

- (i) Zhonghong Holdings entered into an equity transfer framework agreement (the “**Framework Agreement**”) with Sanya Luhuitou Tourism Zone Development Co., Limited\* (三亞鹿回頭旅遊區開發有限公司) and Hainan Xinjia Tourism Development Co., Limited\* (海南新佳旅業開發有限公司) on 30 November 2017. On 28 December 2017, Zhonghong Holdings paid the relevant consideration of RMB6.15 billion (the “**Payment**”), which represented approximately 63% of the audited net assets of Zhonghong Holdings in 2016, pursuant to the Framework Agreement. The decision of the Payment was made by the actual controller of Zhonghong Holdings without the approval by the board of directors and shareholders of Zhonghong Holdings, and no announcement was made by Zhonghong Holdings in respect of the Payment. The chief financial officer and director of Zhonghong Holdings had knowledge of the transactions contemplated under the Framework Agreement, however he failed to fulfil his reporting obligations promptly.

\* For identification purpose only

- (ii) On 27 April 2017, the board of directors and the supervisory committee of Zhonghong Holdings approved the resolution in relation to the use of certain idle funds to supplement the working capital of the group. On the same date, Zhonghong Holdings transferred RMB2.68 billion from the funds account to Zhonghong Holdings basic account for the purpose of repayment of short-term loans, redemption of bond interest, etc. Pursuant to the Guidelines on the Standardised Operation of Companies Listed on the main board of Shenzhen Stock Exchange (《深圳證券交易所主板上市公司規範運作指引》) (the “**Shenzhen Stock Exchange Guidelines**”), the period for a single replenishment of working capital shall not be more than 12 months. As approximately RMB2.58 billion was due and yet to be repaid as at 27 April 2018, Zhonghong Holdings was in breach of the Shenzhen Stock Exchange Guidelines.
- (iii) As disclosed in the forecast of the annual results for the year 2017 issued on 31 January 2018, the net loss attributable to the shareholders of Zhonghong Holdings were RMB1 billion. An announcement regarding the revision of the forecast of the annual results for the year 2017 (the “**Revision Announcement**”) was later issued on 14 April 2018 to clarify that the net loss attributable to the shareholders of Zhonghong Holdings were RMB2.48 billion. The Shenzhen Stock Exchange was of the view that there was serious delay on the issue of the Revision Announcement.
- (iv) On 19 September 2017, Hainan Ruyi Island Tourism Investment Co., Limited\* (海南如意島旅遊度假投資有限公司) (“**Hainan Ruyi**”), a wholly-owned subsidiary of Zhonghong Holdings received a decision in relation to administrative supervision measures (the “**Bureau Decision**”) from the Haikou City Ocean and Fisheries Bureau\* (海口市海洋和漁業局). Pursuant to the Bureau Decision, Hainan Ruyi was fined RMB37.33 million as penalty and such penalty was fully paid on 30 November 2017. However, Zhonghong Holdings failed to fulfil its disclosure obligations in respect of the Bureau Decision.

Taking into consideration of the above, the Shenzhen Stock Exchange made a decision to impose (i) a public sanction on Zhonghong Holdings; (ii) a public sanction on each of the then actual controller, chairman of the board of directors, and director and chief financial officer of Zhonghong Holdings; and (iii) a notice of criticism on certain then directors and supervisors of Zhonghong Holdings, in which Mr. Zhou was not involved. To the best knowledge, information and belief of the Board, Mr. Zhou was not involved in the day-to-day management of Zhonghong Holdings at the material time, and, save as disclosed above, Mr. Zhou has not been subject to any sanction, administrative penalty or criticism by the Shenzhen Stock Exchange and the CSRC. For further details, please refer to the announcement of the Company dated 23 October 2019.

An announcement was made by Kunwu Holdings on 25 September 2021 in relation to, among other things, the receipt of a decision on administrative supervision measures (《中國證券監督管理委員會江西監管局行政監管措施決定書》) (the “**Decision**”) from Jiangxi Regulatory Bureau (the “**Bureau**”) of CSRC by Kunwu Holdings and the secretary to the board of directors of Kunwu Holdings (the “**Kunwu Secretary**”).

\* For identification purpose only

Pursuant to the Decision, investigations had been carried out and there was an incident of irregularity (the “**Incident**”) on the part of Kunwu Holdings, details of which are set out below:

In December 2020, Kunwu Holdings applied to the court to provide the property situated at 31, Block B, Zijincheng, 112 Dongjiayao Road, Donghu District, Nanchang City, Jiangxi Province, the PRC, as guarantee for its subsidiary, namely 昆吾九鼎投資管理有限公司 (for transliteration purpose only, Kunwu Jiuding Investment Management Co., Ltd.) (the “**Kunwu Subsidiary**”), to replace the Kunwu Subsidiary’s frozen bank account funds of RMB42.4 million. As at 31 December 2020, the book value of the said property was RMB33,503,100, representing approximately 1.28% of the unaudited net asset value of Kunwu Holdings last year.

The board of directors of Kunwu Holdings has failed to deliberate on the aforementioned matter and to fulfil the disclosure requirements to issue an announcement in relation to the same in a timely manner. The aforementioned matter was only disclosed in the 2020 annual report of Kunwu Holdings on 15 April 2021. Kunwu Holdings has therefore breached the Administrative Measures for Information Disclosure of Listed Companies (《上市公司信息披露管理辦法》(證監會令第40號)) and the Notice on Regulating External Guarantee Behaviour of Listed Companies (《關於規範上市公司對外擔保行為的通知》(證監發[2005]120號)). The Kunwu Secretary, being the person in charge of the company’s information disclosure, has failed to perform his duties diligently and was primarily responsible for the Incident.

The Bureau decided to take administrative supervision measures to issue a warning letter to Kunwu Holdings and the Kunwu Secretary, and the same shall be recorded in the integrity file of the CSRC. Kunwu Holdings shall comprehensively review and strengthen in areas including corporate governance, internal control and information disclosure, and investigate whether there are other similar breaches. Kunwu Holdings shall submit a written report to the Bureau within 30 days from the date of receipt of the Decision. If there is any disagreement in respect of the Decision, Kunwu Holdings may file an application for reconsideration with the CSRC within 60 days from the date of receipt of the Decision; or initiate a legal proceeding in a people’s court within six months from the date of receipt of the Decision.

To the Directors’ best knowledge, information and belief, Mr. Zhou is not involved in the day-to-day management of Kunwu Holdings, and has not been subject to any sanction, administrative penalty or criticism by the CSRC and the Shanghai Stock Exchange. For further details, please refer to the announcement of the Company dated 7 October 2021.

**Mr. Tian Hong (“Mr. Tian”)**, aged 56, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit, Nomination and Remuneration Committees. Mr. Tian has been the chief investment advisor of 至正實業有限公司 (Windus Enterprises Inc.\*) since 2016. Mr. Tian obtained a master’s degree in business administration from 山西財經大學 (Shanxi University of Finance & Economics\*) in 2009 and qualified as senior economist of The Bank of China in 1998. Mr. Tian worked for Industrial and Commercial Bank of China from 1984 to 1989. From 1990 to 2015, Mr. Tian worked for The Bank of China as operation deputy president, president, department head, and other senior management positions in charge of corporate finance, retail finance, investment banking, financial market and other core banking businesses.

Mr. Tian is also an independent non-executive director of Green Leader since 10 August 2020, the shares of which are listed on the Main Board (stock code: 61) of the Stock Exchange.

\* For identification purpose only

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance practices.

The Board believes that good corporate governance and business ethics are essential in providing a framework for the Company to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability.

The Company has applied the principles set out with the code provisions in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the Year.

The Board is of the view that throughout the Year, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and A.4.2 of the CG Code, details of which will be explained to sections “Chairman and Chief Executive Officer” and “Appointment and Re-election of Directors” below.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions during the Year.

Pursuant to paragraph A.3 of Appendix 10 to the Listing Rules, the Directors are prohibited from dealing in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results (the “**Black-out Period**”).

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the “**Employees Written Guidelines**”) who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Board.

## BOARD OF DIRECTORS

The Board comprises the following Directors:

### *Executive Directors:*

Mr. Zhang Sanhuo (*Chairman and Chief Executive Officer*)

Mr. Chiu Hang Tai (Resigned with effect from 2 December 2020)

Mr. Chan Cheuk Ho

### *Independent Non-executive Directors:*

Mr. So Stephen Hon Cheung

Mr. Zhou Chunsheng

Mr. Tian Hong

The biographical information of the Directors is set out in the Directors' biographies on pages 9 to 13 of this annual report.

There is no relationship (including financial, business, family or other materials/relevant relationship(s)) between the Board members.

### **Chairman and Chief Executive Officer**

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Zhang is the Chairman and the Chief Executive Officer from 3 January 2018, it constituted a deviation from code provision A.2.1 of the CG Code since 3 January 2018. The positions of the Chairman and Chief Executive Officer are held by Mr. Zhang who has extensive knowledge about the management. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of Shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

### **Independent Non-executive Directors**

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.



The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Mr. So has served as an independent non-executive Director for more than nine years. Pursuant to provision A.4.3 of the CG Code, his further appointment shall be subject to a separate resolution to be approved by the Shareholders. The Board considered that Mr. So has exercised judgment in the best interest of the Company when discharging his duties as an independent non-executive Director. Despite his length of service, there is no evidence that the independence of Mr. So, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. Mr. So has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is therefore satisfied that Mr. So meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Company considers that all independent non-executive Directors are independent.

### **Appointment and Re-election of Directors**

A Director may be appointed either by the Shareholders in a general meeting or by the Board upon the recommendation from the Nomination Committee. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment in appointment of new Directors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the Year, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of a sufficient number of independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

All Directors, including the independent non-executive Directors, are appointed for a fixed term of two years. Under the Bye-laws 111 and 114 of the Company, one-third of the Directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, are subject to retirement by rotation and re-election at the annual general meeting of the Company. New Directors appointed by the Board to fill a casual vacancy during any year are required to retire and submit themselves for election at the first general meeting immediately following their appointments. Notwithstanding the provisions of the Company's Bye-laws, the Company intends to comply with code provision A.4.2 of the CG Code by way of having one-third of all the Directors, including those appointed for a specific term, subject to retirement by rotation at each annual general meeting at least once every three years.

### **Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Members of the Board take decisions objectively in the interests of the Company.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the service and advice from the Company Secretary and senior management with a view to ensuring that all required procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors will disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Board adopts a board diversity policy which aims to build and maintain diversity of the Board in terms of skills, professional experience, cultural and educational background, gender, age, and other attributes and strengths that are required for the Company's business from time to time. The policy stipulates that the Board appointments will be made on a merit basis and candidates will be considered against objective selection criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee is delegated by the Board to review the Board Diversity Policy on a regular basis, make recommendations to the Board on measurable objectives for achieving diversity of the Board as appropriate and monitor the progress on achieving the objectives.

### **Continuous Professional Development**

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for the Directors will be arranged where necessary.

Directors are requested to provide the Company with their respective training record pursuant to code provision A.6.5 of the CG Code. According to the records maintained by the Company, during the Year, the Directors participated in continuous professional development by (i) attending external seminars, training courses, conferences and programs; or (ii) reading relevant materials and updates, relating to corporate governance practices, directors' duties, Listing Rules, relevant laws and regulations, and business development of the IT industry. The Company Secretary has taken not less than 15 hours of relevant professional training.

## **BOARD COMMITTEES**

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the respective websites of the Company and the Stock Exchange and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

### **Audit Committee**

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held two meetings to review the annual financial results and report in respect of the Year, the interim results and report for the six months ended 31 December 2020 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met with the Company's auditors twice during the Year for the purpose of reviewing the Company's financial reports and accounts.

### **Remuneration Committee**

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Year, the Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

### **Nomination Committee**

The principal duties of the Nomination Committee include reviewing the Board's composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

During the Year, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the relevant annual general meeting. Additional meetings may be held as and when required.

### Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Audit Committee meets to review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Written Employee Guidelines, and the Company's compliance with the CG Code.

The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying the Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Company Secretary is responsible for keeping the minutes of all meetings of the Board and the Board committees.

### ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at meetings of the Board and the Board committees and the general meeting of the Company held during the Year is set out in the table below:

Name of Director	Number of meetings attended/total number of meetings held				2020 Annual General Meeting
	Board	Remuneration Committee	Audit Committee	Nomination Committee	
<i>Executive Directors</i>					
Mr. Zhang Sanhuo	6/6	1/1	-	1/1	1/1
Mr. Chiu Hang Tai (Resigned with effect from 2 December 2020)	2/2	-	-	-	1/1
Mr. Chan Cheuk Ho	6/6	-	-	-	1/1
<i>Independent non-executive Directors</i>					
Mr. So Stephen Hon Cheung	6/6	1/1	2/2	1/1	1/1
Mr. Zhou Chunsheng	6/6	1/1	2/2	1/1	1/1
Mr. Tian Hong	6/6	1/1	2/2	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting with all the non-executive Directors (including independent non-executive Directors) without the presence of any other executive Director during the Year.

### COMPANY SECRETARY

The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. During the Year, the Company Secretary had complied with the professional training requirements under the Rule 3.29 of the Listing Rules.

### EXTERNAL AUDITORS

The fees paid/payable to the external auditors for audit and non-audit services for the Year (and the comparative figures for the year ended 30 June 2020) are as follows:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Audit services	<b>221</b>	412
Non-audit services	–	7
– Tax services for the Group		
– Agreed upon on procedures on Group's annual results announcement		
	<b>221</b>	419

The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditor and ensuring the continuing objectivity and independence of the external auditor. The Audit Committee has resolved to recommend the re-appointment of ZHONGHUI ANDA CPA Limited as external auditor of the Company. This resolution has been endorsed by the Board and is subject to final approval and authorization by the Shareholders at the 2021 Annual General Meeting.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems with regard to the objectives of the Group. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board, through the Audit Committee, had conducted a review on the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects. The systems were considered effective and adequate.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes. With the implementation of internal audit function, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

Inside information policy is in place, which aims to set out guidelines to ensure inside information of the Group is to be disseminated to the public in equal and timely manner.

## **SHAREHOLDERS' RIGHTS**

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings are voted by poll pursuant to the Listing Rules and poll results are posted on the respective websites of the Company and the Stock Exchange after each Shareholders' meeting.

### **1. Convening a Special General Meeting by Shareholders**

- 1.1 Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board, to require a special general meeting to be called by the Board.
- 1.2 The requisition must state the purposes of the meeting, and must be signed by the requisitionists and may consist of several documents in like form, each signed by one or more requisitionists.
- 1.3 The signatures and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.
- 1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

## 2. Putting Forward Proposals at General Meetings

- 2.1 On the requisition in writing of (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than 100 Shareholders, the Company shall be under a duty to:
- (a) give to the Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
  - (b) circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.
- 2.2 The requisition must be signed by the requisitionists and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board and
- (i) in the case of requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting.
  - (ii) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.
- 2.3 The signatures and the requisition will be verified by the Company's share registrars. Upon confirming that the requisition is proper and in order, notice of any such intended resolution shall be given, and any such statement shall be circulated, to the Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each of such Shareholders in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him/her/it notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

## 3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

#### 4. Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:

Unit B, 12/F, Central 88, 88–98 Des Voeux Road Central, Central, Hong Kong (For the attention of the Board of Directors)

For the avoidance of doubt, Shareholder(s) must provide their full name, contact details and identification in order that the Company can give them a reply. Shareholders' information may be disclosed as required by law.

#### **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS**

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

During the Year, the Company has not made any changes to its Bye-laws. An updated version of the Company's Bye-laws is also available on the respective websites of the Company and the Stock Exchange.



# DIRECTORS' REPORT

## DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the Year.

### Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 34 to the consolidated financial statements.

### Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 40 of this annual report.

### Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on page 4 and pages 5 to 8 of this annual report respectively.

### Principal Risks and Uncertainties

There are several factors affecting the results and business operations of the Group.

It would be a risk to the Group if the outbreak of COVID-19 pandemic continues for a much more extended period or worsens during the upcoming winter. The risk would lead to damage to the supply chain, productivity, and consumer and corporate demands.

A further trade restriction and tariff imposed on import and/or export technology and products between the PRC and the US would increase the cost of products and affect confidence in terms of consumer spending, corporate capital expenditure, and growth globally.

The Group is not aware of any other particular or essential event that has occurred which would trigger a risk and uncertainty as at 30 June 2021.

Certain financial risk and uncertainties are also set out in Note 5 to the consolidated financial statements in this annual report.

### Dividend Policy

The Board has approved and adopted a dividend policy with effect from 5 July 2019 (the "**Dividend Policy**"). The payment of dividend is subject to the compliance with related laws and regulations, including the laws of Bermuda, Company's bye-laws (the "**Bye-laws**"), the Listing Rules, and the financial reporting standards that the Group has adopted. The Board will continually review the Dividend Policy from time to time and reserves the right to amend or modify the Dividend Policy as and when the Board may deem necessary. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Company intends to create long term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- the Group's overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;
- the amount of retained profits and distributable reserves of the Company;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems relevant.

Depending on the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as:

1. interim dividend;
2. final dividend;
3. special dividend; and
4. any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to the Shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance to the Bye-laws.

The Company does not have any pre-determined dividend distribution ratio and the Company's dividend distribution record in the past, if any, may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in future. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

### **Final Dividend**

The Directors do not recommend a dividend for the Year (2020: Nil) pursuant to the Dividend Policy.

### **Environmental Policies and Compliance with Laws and Regulations**

As a responsible corporation, the Group is committed to maintaining higher environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The Environmental, Social and Governance Report conducted by a professional third party for the Year will be published separately on the website of the Stock Exchange and the Company no later than 5 months after the end of the financial year.

### **Compliance with the Relevant Laws and Regulations**

As far as the Board is aware, the Group has complied with the relevant laws and regulations in material respects that have a significant impact on the business and operation of the Group.

During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

### **Relationship with Suppliers, Customers and Other Stakeholders**

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the Year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

### **Permitted Indemnity Provision**

The Bye-law 194 provides that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter incur or sustain through their own fraud or dishonesty. A Directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

## Five Years Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 104 of this annual report.

## Property, Plant and Equipment

During the Year, the Group acquires additional property, plant and equipment at a cost of approximately US\$3,000 (2020: US\$19,000).

Details of these and other movements during the Year in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

## Share Capital and Share Option Schemes

Details of the Company's share capital and share option schemes are set out in Notes 30 and 31 to the consolidated financial statements, respectively.

## Distributable Reserves of the Company

Details of the movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 43 of this annual report and the Company's reserves available for distribution to Shareholders as at 30 June 2021 were as follows:

	<b>2021</b> <b>US\$'000</b>	2020 US\$'000
Contributed surplus	<b>9,036</b>	9,036
Accumulated losses	<b>(53,430)</b>	(51,588)
	<b>(44,394)</b>	(42,552)

Under the Companies Act 1981 at Bermuda (as amended), the contributed surplus account of a company is available for distribution.

However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the Year, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

### **Directors**

The Directors during the Year and up to the latest practicable date prior to the issue of this annual report are:

#### ***Executive Directors:***

Mr. Zhang Sanhuo – *Chairman and Chief Executive Officer*

Mr. Chan Cheuk Ho

Mr. Chiu Hang Tai (Resigned with effect from 2 December 2020)

#### ***Independent Non-executive Directors:***

Mr. So Stephen Hon Cheung

Mr. Zhou Chunsheng

Mr. Tian Hong

Bye-law 111 provides that one-third of the Directors, with the exception of Chairman, Deputy Chairman, Managing Director and Joint Managing Director, shall retire from office by rotation at each annual general meeting. In order to put in place good corporate governance practice, notwithstanding the provisions of the Company's Bye-laws, the Company intends to have one-third of all the Directors subject to retirement by rotation at each annual general meeting. At the forthcoming 2021 annual general meeting, each of Mr. Chan Cheuk Ho and Mr. Tian Hong will retire from office and, being eligible, shall offer himself for re-election pursuant to Bye-law 111 as an executive Director and an independent non-executive Director, respectively.

### **Directors' Service Contracts**

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code contained in the Listing Rules were as follows:

### Long positions: Ordinary shares of HK\$0.10 each (the "Share(s)") of the Company

Name of company	Name of Director	Nature of Interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
PINE Technology Holdings Limited	Zhang Sanhuo	Controlled corporation	714,163,680 (Note 1)	53.83%

Note:

- These underlying Shares are beneficially owned by and registered in the name of Sage Global Holdings Limited ("**Sage Global**"), which is a company incorporated in the British Virgin Islands ("**BVI**") and its entire issued share capital is wholly and beneficially owned by South Pearl Ventures Limited ("**South Pearl**"), and South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director, the chairman and chief executive officer of the Company. As at 30 June 2021, all the Shares held by Sage Global were pledged as security for facilities granted to Sage Global.

### Long positions in the underlying Shares:

Name of Director	Nature of Interest	Number of underlying Shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Sanhuo	Beneficial owner	16,860,000 (Note 1)	1.27%
Mr. Chan Cheuk Ho	Beneficial owner	19,260,000 (Note 2)	1.45%

Notes:

- These underlying Shares are held by Mr. Zhang Sanhuo, an executive Director, the Chairman and Chief Executive Officer, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK\$0.83 per Share and 10,860,000 Shares at an exercise price of HK\$0.46 per Share.
- These underlying Shares are held by Mr. Chan Cheuk Ho, an executive Director, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK\$0.83 per Share and 13,260,000 Shares at an exercise price of HK\$0.46 per Share.

Save as disclosed above, as at 30 June 2021, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code.

### Share Options

Particulars of the Company's share option schemes are set out in Note 31 to the consolidated financial statements.

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the ordinary resolution passed by the Shareholders on 22 November 2013 for the purpose of providing incentives or reward to the Directors, eligible employees or any person who have contributed or may contribute to the Group. The Scheme was amended pursuant to the ordinary resolution passed by the Shareholders on 15 November 2018 and the Directors considered that the amendment to the Scheme was in line with Rule 17.04(1) of the Listing Rules. Please refer to the circular of the Company dated 16 October 2018 and the announcement of the Company dated 15 November 2018 for further information in relation to the amendment to the Scheme. Unless otherwise cancelled or amended, will expire on 21 November 2023.

Share options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per share option. A share option may be exercised in accordance with the terms of the Scheme at any time during the respective effective period of the Scheme to be notified by the Board which shall not be later than 10 years from the date of grant.

As disclosed in the announcement of the Company dated 12 December 2018, there were 80,140,000 share options granted to certain grantees (the "**Grantees**") which included the Directors with an exercise price HK\$0.46 per share pursuant to the Scheme (the "**Share Options 2018**"). The exercise price of HK\$0.46 per share was the highest of: (i) the closing price of HK\$0.45 per share as quoted in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of approximately HK\$0.46 per share as quoted in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.10 per share.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1 per cent of the Shares in issue.

The subscription price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the highest of:

- (1) the closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the Offer Date, which must be a Business Day;
- (2) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five Business Days immediately preceding the offer date; and
- (3) the nominal value of a Share on the offer date.

On 28 November 2019, an ordinary resolution was duly passed by the Shareholders at an annual general meeting of the Company, approving, inter alia, the refreshment of the scheme mandate limit under the Share Option Scheme. Upon the refreshment of the scheme mandate limit, the Company may grant share options entitling holders thereof to subscribe for up to a maximum number of 132,670,173 Shares, representing approximately 10% of the number of issued Shares as at the date of the annual general meeting (the "**Refreshed Scheme Mandate Limit**"). Please refer to the circular of the Company dated 29 October 2019 and the announcement of the Company dated 28 November 2019 for further details of the refreshment of the scheme mandate limit.

Details of the share options outstanding under the Scheme as at 30 June 2021 to subscribe for the Shares in the Company are as follows:

Granted to	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options outstanding as at 1 July 2020	Number of share options outstanding as at 30 June 2021
Mr. Zhang Sanhuo	Chairman and Chief Executive Officer	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000	6,000,000
		12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	10,860,000	10,860,000



Granted to	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options outstanding as at 1 July 2020	Number of share options outstanding as at 30 June 2021
Mr. Chan Cheuk Ho	Executive Director	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000	6,000,000
		12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	13,260,000	13,260,000
Other grantees	Consultants	12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	36,520,000	36,520,000
<b>Total</b>						<b>72,640,000</b>	<b>72,640,000</b>

The total number of Shares available for issue under the Refreshed Scheme Mandate Limit of the Scheme is 132,670,173 representing approximately 10% of the Company's issued share capital as at the date of this annual report.

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed under the Scheme during the Year.

During the Year, the Group has not recognised any share-based payment expense in the consolidated statement of profit or loss and other comprehensive income (30 June 2020: approximately US\$440,000).

#### **Arrangement to Acquire Shares or Debentures**

Other than the share option schemes disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Transactions, Arrangements or Contracts of Significance

There was no transaction, arrangement or contract of significance, to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisting during or at the end of the Year.

## Directors' Interest in Competing Business

None of the Directors and their respective associates had any competing interests which were required to be disclosed pursuant to Rule 8.10 (2)(b) and (c) of the Listing Rules during the Year.

## Substantial Shareholders' Interests in Securities

Save as the interests of certain Directors disclosed under the section headed "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures", according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 30 June 2021, the following persons or corporations (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of company	Name of substantial shareholder	Capacity	Number of issued shares held	Position	Approximate percentage of the issued share capital of the company
PINE Technology Holdings Limited	Sage Global	Beneficial owner	714,163,680 (Note 1)	Long	53.83%
			714,163,680 (Note 1)	Short	53.83%
	South Pearl	Controlled corporation	714,163,680 (Note 1)	Long	53.83%
			714,163,680 (Note 1)	Short	53.83%
	Hammer Capital Private Investments Limited	Person having a security interest in shares	714,163,680 (Note 2)	Long	53.83%
	Cheung Siu Fai	Controlled corporation	714,163,680 (Note 2)	Long	53.83%
Tsang Ling Kay Rodney	Controlled corporation	714,163,680 (Note 2)	Long	53.83%	
PINE Technology (BVI) Limited (Note 3)	Simply Perfect Group Limited (" <b>Simply Perfect</b> ")	Beneficial owner	1,725 (Note 4)	Long	15%
	Chiu Hang Tai (Note 5)	Controlled corporation	1,725 (Note 4)	Long	15%

Notes:

1. Sage Global beneficially owns 714,163,680 Shares. Sage Global is wholly and beneficially owned by South Pearl. South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director, the chairman and chief executive officer of the Company. As at 30 June 2021, all the Shares held by Sage Global were pledged for securing the banking facilities granted to Sage Global.
2. Hammer Capital Private Investments Limited, a company incorporated in BVI with limited liability, is owned as to 50% by Mr. Cheung Siu Fai and Mr. Tsang Ling Kay Rodney respectively.
3. PINE Technology (BVI) Limited is a subsidiary of the Company and is owned as to 85% by the Company and 15% by Simply Perfect.
4. The shares are beneficially owned by and registered in the name of Simply Perfect which was incorporated in the BVI and 74% of its share capital is beneficially owned by Mr. Chiu Hang Tai, a former executive Director. Mr. Chiu Hang Tai is deemed to be interested in the shares held by Simply Perfect by virtue of the SFO. Mr. Chiu Hang Tai has resigned as an executive Director with effect from 2 December 2020.
5. Mr. Chiu Hang Tai and Madam Leung Sin Mei, the wife of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited ("**Pineview Industries**"), a subsidiary of the Company as at 30 June 2021. The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of Pineview Industries. In the event of winding up of Pineview Industries, the holders of the deferred shares are entitled to distribution out of the remaining assets of Pineview Industries only after the distribution of HK\$1,000 million, as specified in the articles of association of Pineview Industries, to holders of the ordinary shares.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2021.

### **Convertible Securities, Options, Warrants or Similar Rights**

Other than the share options as set out in Note 31 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2021.

### **Major Customers and Suppliers**

For the Year, the top five suppliers of the Group together accounted for approximately 62% of the Group's total purchases and the largest supplier accounted for approximately 38% of the Group's total purchases.

For the Year, the top five customers of the Group together accounted for approximately 70% of the Group's total sales and the largest customers accounted for approximately 34% of the Group's total sales.

None of the Directors, their respective close associates or any Shareholders who owns more than 5% of the issued share capital of the Company had any interests in the Group's five largest customers and suppliers during the Year.

## Emolument Policy

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are determined by the Board. The Remuneration Committee reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, having regard to the Company's operating results, individual performance and comparable market statistics.

As mentioned above, the Company has adopted a share option scheme as an incentive to the Directors and eligible employees.

Details of Directors' emolument and individuals with highest emoluments are set out in Note 12 to the consolidated financial statements.

## Profit Guarantee

Pursuant to the sale and purchase agreement dated 9 July 2018 (as amended and supplemented by a supplemental agreement thereto dated 13 July 2018) entered into amongst Talent Crest Limited, a wholly-owned subsidiary of the Company, as purchaser, Harmonious Miles Limited, as vendor, and Mr. Wu Chung Man Ronnie, as guarantor, in relation to the acquisition of the entire equity interest of Eternal Abundant Limited (together with its subsidiaries, the "**Eternal Abundant Group**"), the vendor has warranted and guaranteed to the purchaser that the audited consolidated profit after tax as shown in the audited consolidated accounts of the Eternal Abundant Group for the 12-month period commencing from the date falling on the first anniversary of the completion date of the said acquisition (i.e. 23 July 2018) (the "**2nd Profit Guarantee Period**") shall not be less than HK\$15.5 million (the "**2nd Guaranteed Profit**").

As disclosed in the announcement of the Company dated 27 November 2020, the audited consolidated profit after tax of the Eternal Abundant Group for the 2nd Profit Guarantee Period was not less than HK\$15.5 million. Therefore, the 2nd Guaranteed Profit has been met.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## Review of the Final Results by Audit Committee

The Audit Committee has reviewed with the management and the Company's independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group for the Year.

### **Independent Auditor**

Messrs. Deloitte Touche Tohmatsu has resigned as the auditor of the Company with effect from 21 June 2019. The Board of Directors of the Company has resolved to appoint ZHONGHUI ANDA CPA Limited as the auditor of the Company with effect from 21 June 2019. The consolidated financial statements for the year ended 30 June 2020 and 30 June 2021 have been audited by ZHONGHUI ANDA CPA Limited, who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited as auditor of the Company. Save as disclosed above, the Company has not changed its external auditor in any of the preceding three years.

### **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 37 to 39.

On behalf of the Board

**Zhang Sanhuo**

*EXECUTIVE DIRECTOR & CHAIRMAN*

Hong Kong, 29 September 2021

# INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司

*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of PINE Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 40 to 103, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

#### Goodwill and intangible assets

Refer to Note 17 and Note 18 to the consolidated financial statements.

The Group tested the amount of goodwill and intangible assets for impairment. This impairment test is significant to our audit because the balance of goodwill and intangible assets of approximately US\$7,985,000 and US\$10,380,000, respectively, as at 30 June 2021 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and communicating with the external valuer to discuss the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill and intangible assets are supported by the available evidence.

### OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## **RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Pang Hon Chung**

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 29 September 2021



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	NOTES	2021 US\$'000	2020 US\$'000
<b>Revenue</b>	7	<b>12,219</b>	109,386
Cost of sales		<b>(7,827)</b>	(110,650)
<b>Gross profit/(loss)</b>		<b>4,392</b>	(1,264)
Other income		<b>250</b>	301
Other gains/(losses), net	8	<b>967</b>	(3,228)
Selling and distribution expenses		<b>(285)</b>	(2,806)
General and administrative expenses		<b>(7,287)</b>	(11,796)
<b>Operating loss</b>		<b>(1,963)</b>	(18,793)
Finance costs	9	<b>(162)</b>	(347)
<b>Loss before income tax</b>		<b>(2,125)</b>	(19,140)
Income tax credit/(expense)	10	<b>34</b>	(113)
<b>Loss for the year</b>	11	<b>(2,091)</b>	(19,253)
<b>Other comprehensive income/(loss):</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>385</b>	(346)
Foreign currency translation reserve reclassified to profit or loss upon dissolution of subsidiaries		<b>(136)</b>	–
<b>Total other comprehensive income/(loss) for the year</b>		<b>249</b>	(346)
<b>Total comprehensive loss for the year</b>		<b>(1,842)</b>	(19,599)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(2,524)</b>	(17,318)
Non-controlling interests		<b>433</b>	(1,935)
		<b>(2,091)</b>	(19,253)
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(2,298)</b>	(17,608)
Non-controlling interests		<b>456</b>	(1,991)
		<b>(1,842)</b>	(19,599)
<b>Loss per share</b>	14		
Basic and diluted (US cents)		<b>(0.19)</b>	(1.31)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	2021 US\$'000	2020 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	391	556
Right-of-use assets	16	282	240
Goodwill	17	7,985	7,985
Intangible assets	18	10,380	11,855
Rental deposits	21	94	–
		<b>19,132</b>	20,636
<b>Current assets</b>			
Inventories	20	–	335
Trade and other receivables	21	4,729	7,256
Loan receivables	22	10,539	9,888
Contract assets and contract costs	23	431	102
Contingent consideration	19	–	208
Tax recoverable		1	12
Bank balances and cash	24	4,784	4,252
		<b>20,484</b>	22,053
<b>Current liabilities</b>			
Trade and other payables	25	1,852	3,734
Contract liabilities	23	677	140
Loan from a director	26	–	391
Tax payable		349	203
Lease liabilities	27	200	340
Bank borrowings	28	881	702
		<b>3,959</b>	5,510
<b>Net current assets</b>		<b>16,525</b>	16,543
<b>Total assets less current liabilities</b>		<b>35,657</b>	37,179
<b>Non-current liabilities</b>			
Lease liabilities	27	91	–
Bank borrowings	28	616	–
Deferred tax liabilities	29	1,557	1,944
		<b>2,264</b>	1,944
<b>NET ASSETS</b>		<b>33,393</b>	35,235

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTE	2021 US\$'000	2020 US\$'000
<b>Capital and reserves</b>			
Share capital	30	<b>17,045</b>	17,045
Reserves		<b>9,489</b>	11,787
<hr/>			
Equity attributable to owners of the Company		<b>26,534</b>	28,832
Non-controlling interests		<b>6,859</b>	6,403
<hr/>			
<b>TOTAL EQUITY</b>		<b>33,393</b>	35,235

The consolidated financial statements on pages 40 to 103 were approved and authorised for issue by the Board of Directors on 29 September 2021 and are signed on its behalf by:

**Zhang Sanhuo**  
*DIRECTOR*

**Chan Cheuk Ho**  
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 30 June 2021

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Surplus account	Exchange reserve	Share options reserve	Accumulated losses	Sub-total		
	US\$'000	US\$'000	US\$'000 (Note)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 July 2019</b>	17,045	58,306	2,954	263	1,996	(34,564)	46,000	6,133	52,133
Loss for the year	-	-	-	-	-	(17,318)	(17,318)	(1,935)	(19,253)
Other comprehensive loss for the year	-	-	-	(290)	-	-	(290)	(56)	(346)
Total comprehensive loss for the year	-	-	-	(290)	-	(17,318)	(17,608)	(1,991)	(19,599)
Recognition of equity-settled share based payments (Note 31)	-	-	-	-	440	-	440	-	440
Contribution from non-controlling shareholder of subsidiary (Note 33)	-	-	-	-	-	-	-	2,261	2,261
<b>Balance at 30 June 2020</b>	17,045	58,306	2,954	(27)	2,436	(51,882)	28,832	6,403	35,235
<b>Balance at 1 July 2020</b>	17,045	58,306	2,954	(27)	2,436	(51,882)	28,832	6,403	35,235
(Loss)/profit for the year	-	-	-	-	-	(2,524)	(2,524)	433	(2,091)
Other comprehensive income for the year	-	-	-	226	-	-	226	23	249
Total comprehensive income/(loss) for the year	-	-	-	226	-	(2,524)	(2,298)	456	(1,842)
<b>Balance at 30 June 2021</b>	17,045	58,306	2,954	199	2,436	(54,406)	26,534	6,859	33,393

Note: Surplus account of the Group represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Pine Technology (BVI) Limited, the subsidiary which was acquired by the Company pursuant to the reorganisation of the Group in previous years.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 30 June 2021

	2021 US\$'000	2020 US\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	<b>(2,125)</b>	(19,140)
Adjustments for:		
Depreciation of property, plant and equipment	<b>181</b>	276
Depreciation of right-of-use assets	<b>349</b>	764
(Reversal of impairment loss)/impairment losses on prepayment, trade and other receivables, net	<b>(201)</b>	1,924
Amortisation of intangible assets	<b>1,474</b>	1,527
Finance costs	<b>162</b>	347
Interest income	<b>(10)</b>	(3)
Reversal of impairment loss on amount due from a joint venture	-	(2)
Impairment losses on development costs	-	110
Impairment losses on trademarks	-	6
Impairment losses on property, plant and equipment	-	2
Impairment losses on right-of-use assets	-	92
Gain on disposal of property, plant and equipment	-	(232)
Recognition of equity settled share-based payments	-	440
Fair value change in contingent consideration	<b>208</b>	870
Written-off of property, plant and equipment	-	6
Reversal of impairment loss on inventories	-	(9,953)
<b>Operating income/(loss) before working capital changes</b>	<b>38</b>	(22,966)
Change in inventories	<b>335</b>	41,035
Change in trade and other receivables and rental deposits	<b>3,063</b>	10,570
Change in loan receivables	<b>(651)</b>	155
Change in contract assets and contract costs	<b>(315)</b>	514
Change in contract liabilities	<b>511</b>	142
Change in trade and other payables	<b>(2,086)</b>	(25,267)
Change in amount due from joint venture	-	2
Net cash generated from operations	<b>895</b>	4,185
Interest paid on lease liabilities	<b>(29)</b>	(57)
Income tax paid	<b>(217)</b>	(426)
<b>Net cash generated from operating activities</b>	<b>649</b>	3,702

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 30 June 2021

	2021 US\$'000	2020 US\$'000
<b>Cash flows from investing activities</b>		
Interest received	10	3
Purchases of property, plant and equipment	(3)	(19)
Development costs incurred	-	(163)
Additions to trademarks	-	(7)
Proceeds from disposal of property, plant and equipment	-	232
Proceeds from disposal of life insurance policy	-	505
<b>Net cash generated from investing activities</b>	<b>7</b>	<b>551</b>
<b>Cash flows from financing activities</b>		
Interest paid	(113)	(290)
Repayment on lease liabilities	(440)	(756)
New bank borrowings raised	2,259	-
Repayment of bank borrowings	(1,549)	(6,134)
New loan from non-controlling shareholder	4,800	-
Repayments to non-controlling shareholder	(4,800)	-
Loan from a director	-	391
Repayments to directors	(391)	-
<b>Net cash used in financing activities</b>	<b>(234)</b>	<b>(6,789)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>422</b>	<b>(2,536)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,252</b>	<b>6,845</b>
Effect of foreign exchange rate changes	110	(57)
<b>Cash and cash equivalents at end of reporting period, Represented by bank and cash balances</b>	<b>4,784</b>	<b>4,252</b>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	4,784	4,252

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 1. GENERAL INFORMATION

PINE Technology Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda and its shares are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries are together referred to as the “**Group**”. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the Company’s principal place of business in Hong Kong is changed to Unit B, 12/F., Central 88, 88–98 Des Voeux Road Central, Central, Hong Kong from Unit 1201, 12/F., 148 Electric Road, North Point, Hong Kong, with effect from 1 April 2021.

The principal activities of the Group are the manufacturing and sales of high-quality computer components, consumer electronic products and others, provision of money lending service, trading business and computer software and hardware and system development business. The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 34 to the consolidated financial statements.

The consolidated financial statements are presented in United States dollars (“**US\$**”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under historical cost convention, as modified by the revaluation of investments at fair value through profit or loss which is carried at its fair values. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company (the “**Directors**”) to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Consolidation** *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### **Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation

#### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US\$, which is the Company's functional and presentation currency.

#### **(ii) Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

#### **(iii) Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

	<b>Estimated useful lives</b>
Leasehold improvements	2 to 10 years
Plant and machinery	2 to 10 years
Motor vehicles	4 to 6 years
Furniture, fixtures and equipment	4 to 6 years
Computer equipment	4 to 5 years

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### Trademarks

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's hydroponics products development is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 2 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **Leases**

#### ***The Group as lessee***

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Office premises	1 – 2 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### **Financial assets**

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Investments at fair value through profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### (i) **Financial assets at amortised cost**

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

#### (ii) **Investments at fair value through profit or loss**

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

### **Loss allowances for expected credit losses**

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Loss allowances for expected credit losses** *(Continued)*

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Trade and other payables**

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **Derivative financial instruments**

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

### Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

### Employee benefits

#### (i) **Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) **Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

#### **(iii) Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### **Share-based payments**

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to Directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
  
- (B) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (A).
  - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, investments at fair value through profit or loss, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### **Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 4. KEY ESTIMATES

### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **(a) Impairment of goodwill and intangible assets**

Determining whether goodwill and intangible assets is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated and intangible assets. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill and intangible assets at the end of the reporting period were approximately US\$7,985,000 and US\$10,380,000 respectively. No impairment losses on intangible assets had been recognised during the year ended 30 June 2021 (2020: impairment losses on intangible assets of approximately US\$116,000). Details of the impairment loss calculation are provided in Note 17 and Note 18 to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 4. KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### **(b) Estimate impairment of loan receivables**

The Group has designed controls over the grant of new loans to borrowers and performed annual review of existing loan receivables with reference to the credit quality of the borrowers. In determining the recoverability of unsecured loan receivables, the Group considers the credit quality of the unsecured loan receivables with reference to the credit history of the borrowers including default or delay in payment, historical settlements and settlements of loan interests of the unsecured loan receivables subsequent to the end of the reporting period, the financial background of the borrowers and the available financial information of the borrowers at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual outcome or expectation of the recoverability of loan receivables is different from the original estimate, such difference will impact the carrying value of loan receivables and allowance for doubtful debts or write-back in the period in which such estimate has changed. As at 30 June 2021, the carrying amount of unsecured loan receivables is approximately US\$10,539,000 (2020: approximately US\$9,888,000). There is no allowance or impairment loss recognised for both years.

#### **(c) Recoverability of trade and other receivables**

Allowance for doubtful debts is made when there is objective evidence that the recoverability of trade and other receivables due from customers and debtors becomes doubtful. As at 30 June 2021, the carrying amounts of trade and other receivables are approximately US\$4,823,000 (2020: approximately US\$7,256,000). In determining the recoverability of overdue trade and other receivables, management makes assumptions and applies judgements in assessing the recoverability of trade receivables, based on certain of these factors including debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and debtors and credit assessment of customers and debtors. The Directors believe that there will not be a material change in the estimates or assumptions which are used in the calculations of recoverable amounts of trade receivables. However, when the actual outcome or expectation in the future is less or more than the original estimates, additional or reversal of impairment loss may arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Credit risk

The carrying amount of the bank balances and cash, trade and other receivables and loan receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers. The top five customers of the Group accounted for about 61% (2020: 55%) of the Group's trade receivables as at 30 June 2021. For money lending services segment, the top three borrowers of the Group accounted for about 36% (2020: 39%) of the Group's loan receivables as at 30 June 2021. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss Provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follow:

	Within 12 months or on demand US\$'000	More than 1 year US\$'000	Total contractual undiscounted cash flow US\$'000	Carrying amounts US\$'000
<b>As at 30 June 2021</b>				
Trade and other payables	1,852	–	1,852	1,852
Bank borrowings	930	624	1,554	1,497
	<b>2,782</b>	<b>624</b>	<b>3,406</b>	<b>3,349</b>

	Within 12 months or on demand US\$'000	More than 1 year US\$'000	Total contractual undiscounted cash flow US\$'000	Carrying amounts US\$'000
<b>As at 30 June 2020</b>				
Trade and other payables	3,734	–	3,734	3,734
Bank borrowings	710	–	710	702
Loan from a director	391	–	391	391
	<b>4,835</b>	<b>–</b>	<b>4,835</b>	<b>4,827</b>

### (d) Interest rate risk

The Group exposed to cash flow interest rate risk in relation to bank balances and bank borrowings. The management will consider hedging significant interest rate exposure should the need arise.

The management considered that the exposure to cash flow interest rate risk in relation to bank balances and bank borrowings is minimal, accordingly, no sensitivity analysis is presented for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### (f) Categories of financial instruments as at 30 June

	2021 US\$'000	2020 US\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	19,862	21,030
Investments at fair value through profit or loss	–	208
	<b>19,862</b>	<b>21,238</b>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	3,349	4,827

## 6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6. FAIR VALUE MEASUREMENTS *(Continued)*

### (a) Disclosures of level in fair value hierarchy as at 30 June 2020:

	Fair value measurements using:			Total 2020 US\$'000
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
<b>Recurring fair value measurements:</b>				
Investments at fair value through profit or loss				
Contingent consideration	–	–	208	208
<hr/>				
Total recurring fair value measurements	–	–	208	208

During the years ended 30 June 2021 and 2020, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of Directors of the Company (the "**Board of Directors**") for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

### (b) Reconciliation of liabilities measured at fair value based on level 3:

	Contingent consideration	
	2021 US\$'000	2020 US\$'000
At the beginning of reporting period	208	1,078
Total losses recognised in profit or loss <sup>(#)</sup>	(208)	(870)
<hr/>		
At the end of reporting period	–	208
<hr/>		
<sup>(#)</sup> Include losses for contingent consideration at the end of reporting period	(208)	(870)

The total losses recognised in profit or loss are presented in other gains and losses (fair value change in contingent consideration) in the consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6. FAIR VALUE MEASUREMENTS *(Continued)*

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020:

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 US\$'000
Contingent consideration	Monte-Carlo Simulator Analysis	Expected volatility	14.26%	Increase	
		Discount rate	17.44%	Decrease	208

## 7. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“**CODM**”), for the purpose of resources allocation and assessment of segment performance focuses on the sales of brands of products provided by the Group’s operating divisions. The Group is currently organized into five operating divisions, which are the sales of Group’s brand products; sales of other brand products; money lending service; trading business and provision of computer software and hardware and system development service. These five operating divisions form the basis of internal reports about components of the Group that are regularly reviewed by the CODM for the purpose of resources allocation and performance assessment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group’s reportable and operating segments under HKFRS 8 Operating Segments are as follows:

Group’s brand products	–	manufacture and sales of market video graphics cards and other computer components under the Group’s brand name
Other brand products	–	distribution of other manufacturers’ computer components and consumer electronic products and others
Money lending service	–	money lending service in Hong Kong
Trading business	–	trading business in the People’s Republic of China (the “ <b>PRC</b> ”)
Computer software and hardware and system development	–	provision of computer software and hardware and system development service in the PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's revenue is analysed as follows:

	2021 US\$'000	2020 US\$'000
Sales of Group's brand products	2	55,369
Sales of other brand products	4,294	39,740
Sales of chemical products through trading business	-	6,308
Provision of computer software and hardware and system development service	6,760	6,868
Revenue from contracts with customers	11,056	108,285
Interest income from money lending service	1,163	1,101
Total revenue	12,219	109,386

### Disaggregation of revenue from contracts with customers:

*For the year ended 30 June 2021*

	Group's brand products US\$'000	Other brand products US\$'000	Computer software and hardware and system development service US\$'000	Consolidated US\$'000
<b>Major products/services</b>				
Sales of market video graphics cards	2	-	-	2
Sales of other computer components	-	4,294	-	4,294
Provision of computer software and hardware and system development service	-	-	6,760	6,760
Total	2	4,294	6,760	11,056
<b>Timing of revenue recognition</b>				
At a point in time	2	4,294	1,859	6,155
Over time	-	-	4,901	4,901
Total	2	4,294	6,760	11,056

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Disaggregation of revenue from contracts with customers: (Continued)

For the year ended 30 June 2020

	Group's brand products US\$'000	Other brand products US\$'000	Trading business US\$'000	Computer software and hardware system development service US\$'000	Consolidated US\$'000
<b>Major products/services</b>					
Sales of market video graphics cards	55,369	–	–	–	55,369
Sales of other computer components	–	17,375	–	–	17,375
Sales of consumer electronic products and others	–	22,365	–	–	22,365
Sales of chemical products through trading business	–	–	6,308	–	6,308
Provision of computer software and hardware and system development service	–	–	–	6,868	6,868
<b>Total</b>	<b>55,369</b>	<b>39,740</b>	<b>6,308</b>	<b>6,868</b>	<b>108,285</b>
<b>Timing of revenue recognition</b>					
At a point in time	55,369	39,740	6,308	255	101,672
Over time	–	–	–	6,613	6,613
<b>Total</b>	<b>55,369</b>	<b>39,740</b>	<b>6,308</b>	<b>6,868</b>	<b>108,285</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### **Sales of Group's brand products and other brand products and trading of chemical products**

The Group manufactures and sells market video graphics cards, other computer components, consumer electronic products and others under the Group's brand products and other brand products and chemical products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The products are sold with volume discounts based on aggregate sales over a 12 months period, if any. Revenue from these sales is recognised based on the prices specified in the contracts, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method. A contract liability is recognised for the expected volume discounts payable to customers in relation to the sales made.

Sales to customers are normally made with credit terms from 90 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### **Provision of computer software and hardware and system development service**

The Group provides computer software and hardware and system development service to the customers. When the progress towards complete satisfaction of the performance obligations of computer software and hardware and system development service contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the surveys of work performed. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of computer software and hardware and system development service contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Provision of computer software and hardware and system development service *(Continued)*

Some system integration contracts include multiple deliverables, such as the installation of hardware and software. If the installation is simple, does not include an integration service and could be performed by another party, it is accounted for as a separate performance obligation.

If a contract includes the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

#### **For the year ended 30 June 2021**

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development service US\$'000	Consolidated US\$'000
REVENUE						
External sales	2	4,294	-	-	6,760	11,056
Loan interest income	-	-	1,163	-	-	1,163
	<b>2</b>	<b>4,294</b>	<b>1,163</b>	<b>-</b>	<b>6,760</b>	<b>12,219</b>
SEGMENT RESULT	<b>(2,314)</b>	<b>(1,010)</b>	<b>993</b>	<b>(268)</b>	<b>1,153</b>	<b>(1,446)</b>
Interest income						10
Unallocated corporate expenses						(527)
Finance costs						(162)
Loss before income tax						<b>(2,125)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)* For the year ended 30 June 2020

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development service US\$'000	Consolidated US\$'000
REVENUE						
External sales	55,369	39,740	–	6,308	6,868	108,285
Loan interest income	–	–	1,101	–	–	1,101
	55,369	39,740	1,101	6,308	6,868	109,386
SEGMENT RESULT	(13,767)	(1,928)	736	(127)	(730)	(15,816)
Interest income						3
Unallocated corporate expenses						(2,980)
Finance costs						(347)
Loss before income tax						(19,140)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment result represents gross loss incurred by or gross profit generated from each segment, net of selling and distribution costs and administration costs directly attributable to each segment without allocation of interest income, corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

No segment assets and liabilities in the measure of the Group's reporting are presented as the information is not reported to the CODM for the purposes of resources allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 30 June 2021

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development service US\$'000	Consolidated US\$'000
Impairment loss/(reversal of impairment loss) on prepayment, trade and other receivables, net	-	-	-	256	(457)	(201)
Amortisation of intangible assets	1	-	-	-	1,473	1,474
Depreciation of right-of-use assets	117	-	-	-	-	117
Depreciation of property, plant and equipment	-	-	-	-	21	21
Fair value change in contingent consideration	-	-	-	-	208	208

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)* For the year ended 30 June 2020

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development service US\$'000	Consolidated US\$'000
Impairment losses on trade receivables, net	1,443	–	–	–	481	1,924
Amortisation of intangible assets	54	–	–	–	1,473	1,527
Depreciation of right-of-use assets	413	–	–	–	–	413
Depreciation of property, plant and equipment	–	95	–	–	21	116
Reversal of impairment losses on amount due from a joint venture	(2)	–	–	–	–	(2)
Fair value change in contingent consideration	–	–	–	–	870	870
Impairment losses on development costs	110	–	–	–	–	110
Impairment losses on property, plant and equipment	2	–	–	–	–	2
Impairment losses on trademarks	6	–	–	–	–	6
Impairment losses on right-of- use assets	92	–	–	–	–	92
Gain on disposal of property, plant and equipment	(232)	–	–	–	–	(232)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's revenue from external customers mainly derives from customers located in Canada, the United States, Asia and Europe, and information about its non-current assets (excluded deposit) by geographical location of the assets are detailed as below:

	Revenue by external customers		Non-current assets	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Canada	14	17,375	-	-
The United States	4,282	50,362	-	79
Asia	7,923	23,491	19,038	20,557
Europe	-	17,651	-	-
Others	-	507	-	-
	<b>12,219</b>	109,386	<b>19,038</b>	20,636

### Information about major customers

	2021	2020
	US\$'000	US\$'000
Sales of other brand products		
Customer A	4,143	2,317
Provision for computer software and hardware and system development service		
Customer B	1,520	1,401
Customer C	1,443	372
	<b>7,106</b>	4,090

\* Customer A, Customer B and Customer C did not contribute over 10% of the Group's revenue for the year ended 30 June 2020, the figures shown were for comparative purpose only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 8. OTHER GAINS/(LOSSES), NET

	2021 US\$'000	2020 US\$'000
Reversal of impairment loss/(impairment losses) on prepayment, trade and other receivables, net	201	(1,924)
Foreign exchange gain/(loss), net	838	(458)
Fair value change in contingent consideration	(208)	(870)
Gain on dissolution of subsidiaries	136	–
Reversal of impairment loss on amount due from a joint venture	–	2
Impairment losses on development costs	–	(110)
Impairment losses on property, plant and equipment	–	(2)
Impairment losses on trademarks	–	(6)
Impairment losses on right-of-use assets	–	(92)
Gain on disposal of property, plant and equipment	–	232
	<b>967</b>	<b>(3,228)</b>

## 9. FINANCE COSTS

	2021 US\$'000	2020 US\$'000
Interest on:		
Bank borrowings	69	290
Loans from a non-controlling shareholder	44	–
Other borrowings	20	–
Lease liabilities	29	57
	<b>162</b>	<b>347</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 10. INCOME TAX (CREDIT)/EXPENSE

	2021 US\$'000	2020 US\$'000
Current tax		
Hong Kong Profits Tax	5	5
The PRC enterprise income tax	160	183
Withholding tax on PRC dividend income	188	151
	<b>353</b>	339
(Over)/under-provision in respect of prior years		
Hong Kong Profits Tax	-	(6)
The PRC enterprise income tax	-	6
Deferred tax (Note 29)	<b>(387)</b>	(226)
Income tax (credit)/expense	<b>(34)</b>	113

For the years ended 30 June 2021 and 2020, Hong Kong Profits Tax is calculated under two-tier profit tax rate regime. First HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and the remaining estimated assessable profits is taxed at 16.5%. The Group have selected one of the Hong Kong subsidiaries to apply the two-tier profits tax rate.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 10. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The reconciliation between the income tax (credit)/expense and loss before income tax is as follows:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Loss before income tax	<b>(2,125)</b>	(19,140)
Tax at the applicable tax rate of 30% (Note)	<b>(638)</b>	(5,742)
Tax effect of expenses not deductible for tax purpose	<b>931</b>	6,077
Tax effect of income not taxable for tax purpose	<b>(655)</b>	(773)
Utilisation of tax losses previously not recognised	<b>(312)</b>	(364)
Tax effect of tax losses not recognised	<b>1,063</b>	794
Tax effect of deductible temporary differences not recognised	<b>38</b>	30
Deferred tax provided for withholding tax on income derived in the PRC	-	151
Deferred tax associated with undistributed earnings of PRC subsidiaries	-	(5)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(461)</b>	(75)
Others	-	20
	<hr/>	<hr/>
Income tax (credit)/expense	<b>(34)</b>	113

Note: The tax rate in the jurisdiction where the operation of the Group substantially based is used as the applicable tax rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Amortisation on intangible assets:		
Development costs	–	53
Trademarks	<b>1</b>	1
Customer relationship	<b>1,473</b>	1,473
Auditor's remuneration	<b>221</b>	412
Cost of inventories sold	<b>4,313</b>	110,315
Depreciation of property, plant and equipment	<b>181</b>	276
Depreciation of right-of-use assets	<b>349</b>	764
Interest income on bank deposits	<b>(10)</b>	(3)
Short-term lease expenses	<b>373</b>	690
Staff costs (including directors' remuneration – Note 12)		
Salaries, bonus and allowances	<b>5,778</b>	9,187
Retirement benefits scheme contributions	<b>203</b>	115
Equity-settled share based payments to directors	–	227
	<b>5,981</b>	9,529
Equity-settled share based payments to consultants	–	213
Reversal of impairment loss on inventories (included in cost of inventories sold)	–	(9,953)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The remuneration of each director for the year ended 30 June 2021 is set out below:

	Fee US\$'000	Salaries, allowances and benefits in kind US\$'000	Retirement benefits scheme contributions US\$'000	Total US\$'000
<i>Executive Directors</i>				
Mr. Zhang Sanhuo	167	–	–	167
Mr. Chiu Hang Tai (resigned with effect from 2 December 2020)	6	52	1	59
Mr. Chan Cheuk Ho	167	–	–	167
<i>Independent Non-executive Directors</i>				
Mr. Zhou Chunsheng	18	–	–	18
Mr. So Stephen Hon Cheung	18	–	–	18
Mr. Tian Hong	18	–	–	18
<b>Total</b>	<b>394</b>	<b>52</b>	<b>1</b>	<b>447</b>

The remuneration of each director for the year ended 30 June 2020 is set out below:

	Fee US\$'000	Salaries, allowances and benefits in kind US\$'000	Retirement benefits scheme contributions US\$'000	Share-based payment US\$'000	Total US\$'000
<i>Executive Directors</i>					
Mr. Zhang Sanhuo	167	442	–	104	713
Mr. Chiu Hang Tai (resigned with effect from 2 December 2020)	15	153	2	–	170
Mr. Chan Cheuk Ho	167	–	–	123	290
<i>Independent Non-executive Directors</i>					
Mr. Zhou Chunsheng	18	–	–	–	18
Mr. So Stephen Hon Cheung	18	–	–	–	18
Mr. Tian Hong	18	–	–	–	18
<b>Total</b>	<b>403</b>	<b>595</b>	<b>2</b>	<b>227</b>	<b>1,227</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(Continued)*

### Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2020: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2020: two) individuals are set out below:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Basic salaries and allowances	<b>364</b>	350
	<b>364</b>	350

The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2021</b>	2020
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	2
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	–
	<b>2</b>	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. DIVIDEND

No dividend had been paid or proposed for both years presented. The Directors do not recommend a dividend in respect of the year ended 30 June 2021 (2020: Nil).

## 14. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately US\$2,524,000 (2020: US\$17,318,000) and the weighted average number of ordinary shares of 1,326,702,000 (2020: 1,326,702,000) in issue during the year.

### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 30 June 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US\$'000	Plant and machinery US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Computer equipment US\$'000	Total US\$'000
<b>Cost</b>						
At 1 July 2019	4,866	13,682	1,171	891	2,594	23,204
Exchange adjustments	(15)	(38)	(5)	(1)	(54)	(113)
Additions	14	-	-	1	4	19
Write-off	(4,449)	(10,552)	(10)	(190)	(1,691)	(16,892)
Disposal	-	(2,023)	(154)	(246)	(171)	(2,594)
At 30 June 2020 and 1 July 2020	<b>416</b>	<b>1,069</b>	<b>1,002</b>	<b>455</b>	<b>682</b>	<b>3,624</b>
Exchange adjustments	-	-	5	1	72	78
Additions	-	-	-	-	3	3
Write-off	-	-	-	-	(3)	(3)
At 30 June 2021	<b>416</b>	<b>1,069</b>	<b>1,007</b>	<b>456</b>	<b>754</b>	<b>3,702</b>
<b>Accumulated depreciation</b>						
At 1 July 2019	4,827	13,638	547	886	2,477	22,375
Exchange adjustments	(13)	(36)	(6)	-	(50)	(105)
Provided for the year	51	42	169	1	13	276
Impairment loss	-	-	-	-	2	2
Eliminated upon write-off	(4,449)	(10,552)	(10)	(188)	(1,687)	(16,886)
Eliminated upon disposals	-	(2,023)	(154)	(246)	(171)	(2,594)
At 30 June 2020 and 1 July 2020	<b>416</b>	<b>1,069</b>	<b>546</b>	<b>453</b>	<b>584</b>	<b>3,068</b>
Exchange adjustments	-	-	2	1	62	65
Provided for the year	-	-	169	1	11	181
Eliminated upon write-off	-	-	-	-	(3)	(3)
At 30 June 2021	<b>416</b>	<b>1,069</b>	<b>717</b>	<b>455</b>	<b>654</b>	<b>3,311</b>
<b>Carrying amount</b>						
At 30 June 2021	-	-	290	1	100	391
At 30 June 2020	-	-	456	2	98	556

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 16. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
At 30 June:		
Right-of-use assets		
– Office premises	<b>282</b>	240

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	<b>218</b>	356
– Between 1 and 2 years	<b>96</b>	–
	<b>314</b>	356

Year ended 30 June:		
Depreciation charge of right-of-use assets		
– Office premises	<b>349</b>	764
Lease interests	<b>29</b>	57
Expenses related to short-term leases	<b>373</b>	690
Impairment of right-of-use assets	–	92
Total cash outflow for leases	<b>469</b>	813
Additions to right-of-use assets	<b>391</b>	–

The Group leases various office premises. Lease agreements are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 17. GOODWILL

	2021 US\$'000	2020 US\$'000
Goodwill	<b>7,985</b>	7,985

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“**CGUs**”) that are expected to benefit from that business combination. The carrying amount of goodwill arising from the acquisition of Eternal Abundant Limited and its subsidiaries (the “**Eternal Abundant Group**”) during the year ended 30 June 2019 and had been allocated to computer software and hardware and system development segment.

For the year ended 30 June 2021, the recoverable amounts of the CGUs of approximately US\$30,337,000 (2020: approximately US\$28,146,000) are determined on the basis of their value in use using discounted cash flow method. For the year ended 30 June 2021, the headroom between the recoverable amounts of the CGU and carrying amounts of the CGUs were approximately US\$1,512,000 (2020: approximately US\$328,000). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

Gross margin from approximately 46% to 47% was adopted for the projected years from 2022 to 2026 (2020: gross margin from approximately 48% to 55% were adopted for the projected years from 2021 to 2025) and net margin from approximately 31% to 36% were adopted for the projected years from 2022 to 2026 (2020: net margin from approximately 33% to 43% were adopted for the projected years from 2021 to 2025).

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 3% (2020: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax discount rate used to discount the forecast cash flows from the Group’s computer software and hardware and system development business is 21.24% (2020:21.31%).

The recoverable amount of the CGUs are based on the valuation carried out by Greater China Appraisal Limited (“**Greater China**”), an independent professional valuer not connected with the Group.

The management had considered the key assumptions adopted in the valuation and had based its determination of the CGUs’ recoverable amount would not cause an impairment loss for the years ended 30 June 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 18. INTANGIBLE ASSETS

	<b>Development Cost</b> US\$'000 (Note a)	<b>Trademarks</b> US\$'000 (Note b)	<b>Customer Relationship</b> US\$'000 (Note c)	<b>Total</b> US\$'000
<b>Cost</b>				
At 1 July 2019	5,299	274	14,707	20,280
Exchange adjustments	(120)	–	–	(120)
Additions	163	7	–	170
At 30 June 2020, 1 July 2020 and 30 June 2021	<b>5,342</b>	<b>281</b>	<b>14,707</b>	<b>20,330</b>
<b>Amortisation and impairment</b>				
At 1 July 2019	5,299	272	1,381	6,952
Exchange adjustments	(120)	–	–	(120)
Provided for the year	53	1	1,473	1,527
Impairment loss	110	6	–	116
At 30 June 2020 and 1 July 2020	<b>5,342</b>	<b>279</b>	<b>2,854</b>	<b>8,475</b>
Exchange adjustments	–	1	–	1
Provided for the year	–	1	1,473	1,474
At 30 June 2021	<b>5,342</b>	<b>281</b>	<b>4,327</b>	<b>9,950</b>
<b>Carrying amount</b>				
At 30 June 2021	–	–	<b>10,380</b>	<b>10,380</b>
At 30 June 2020	–	2	11,853	11,855

Notes:

- (a) The amortisation period for development costs is two years.

At the end of each reporting period, the Directors conducted review on the Group's development cost and determined that the recoverable amounts of the development costs under group's brand products segment were minimal. Impairment losses in respect of these development costs of approximately US\$110,000 have been recognised in profit or loss for the year ended 30 June 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 18. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (b) The above trademarks have finite useful lives and are amortised on a straight-line basis over the shorter of the remaining useful lives or twenty years.

At the end of each reporting period, the Directors conducted review on the Group's trademarks and determined that the recoverable amounts of the trademarks under group's brand products segment were minimal. Impairment losses in respect of these trademarks amounted to approximately US\$6,000 have been recognised in profit or loss for the year ended 30 June 2020.

- (c) The customer relationship of the Group arised from the acquisition of Eternal Abundant Group during the year ended 30 June 2019. The remaining useful lives of the customer relationship is 8 years (2020: 9 years). Detailed impairment assessment referred to Note 17.

## 19. CONTINGENT CONSIDERATION

	2021 US\$'000	2020 US\$'000
Profit guarantee	-	208

On 9 July 2018, Talent Crest Limited ("**Talent Crest**"), the indirect wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement thereto dated 13 July 2018, collectively known as, the "**Sale and Purchase Agreement**") with Harmonious Miles Limited ("**Harmonious Miles**"), as vendor and Mr. Wu Chung Man Ronnie as guarantor for the acquisition of entire equity interest of the Eternal Abundant Group (the "**Acquisition**") for a total consideration of HK\$220,800,000 which is comprised of 220,800,000 new ordinary shares of the Company being allotted and issued by the Company. The Acquisition was completed on 23 July 2018 (the "**Completion Date**").

Profit guarantee represents the guarantee provided by Harmonious Miles, as the vendor in favour of Talent Crest, as a purchaser in respect of the Acquisition, of which the audited consolidated profit after tax as shown in the audited consolidated accounts of the Eternal Abundant Group for (i) the 12-month period commencing from the date of the Completion Date; (ii) the 12-month period commencing from the date falling on the first anniversary of the Completion Date; and (iii) the 12-month period commencing from the date falling on the second anniversary of the Completion Date shall not be less than HK\$14,500,000, HK\$15,500,000 and HK\$16,500,000 respectively (the "**Profit Guarantee**"). In the event of non-fulfillment of the Profit Guarantee, Harmonious Miles and/or Mr. Wu Chung Man Ronnie (being the vendor's guarantor) shall compensate Talent Crest by 23.7 times of the aggregate amount of shortfall of the relevant guarantee period(s) in cash, and such compensation shall not exceed the sum of HK\$220,800,000, being the amount of consideration for the Acquisition, in any event. Please refer to the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the Acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 19. CONTINGENT CONSIDERATION *(Continued)*

As at 30 June 2020, the fair value of the contingent consideration of approximately RMB1,481,000 (equivalent to approximately US\$208,000) is estimated based on the valuation carried out by Greater China, an independent professional valuer not connected with the Group.

Fair value change of contingent consideration of approximately US\$208,000 have been recognised in profit or loss for the year ended 30 June 2021 (2020: approximately US\$870,000).

## 20. INVENTORIES

	2021 US\$'000	2020 US\$'000
Finished goods	–	335

## 21. TRADE AND OTHER RECEIVABLES

	2021 US\$'000	2020 US\$'000
<b>Current</b>		
Trade receivables	3,081	6,192
Less: allowance for doubtful debts	(54)	(496)
Trade receivables, net	3,027	5,696
Deposits, prepayments and other receivables	1,702	1,560
	4,729	7,256
<b>Non-current</b>		
Rental deposits	94	–
	4,823	7,256



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 21. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 1 to 180 days (2020: 1 to 180 days) to its trade customers. The following is aged analysis of trade receivables, net of allowances for doubtful debt, presented based on invoice date is as follows:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
1 to 30 days	<b>1,515</b>	3,357
31 to 60 days	<b>20</b>	1,357
61 to 90 days	<b>56</b>	269
Over 90 days	<b>1,436</b>	713
	<b>3,027</b>	5,696

Reconciliation of loss allowance for trade receivables:

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
At beginning of year	<b>496</b>	2,394
Increase in loss allowance for the year	<b>-</b>	1,984
Reversal of loss allowance for the year	<b>(457)</b>	(60)
Amount written-off	<b>(20)</b>	(3,812)
Exchange adjustments	<b>35</b>	(10)
At end of year	<b>54</b>	496

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 21. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
<b>At 30 June 2021</b>					
Weighted average expected loss rate	-	-	-	4%	
Receivable amount (US\$'000)	1,515	20	56	1,490	3,081
Loss allowance (US\$'000)	-	-	-	54	54
<b>At 30 June 2020</b>					
Weighted average expected loss rate	-	-	-	41%	
Receivable amount (US\$'000)	3,357	1,357	269	1,209	6,192
Loss allowance (US\$'000)	-	-	-	496	496

Trade receivables with carrying amount of approximately US\$185,000 (2020: approximately US\$193,000) are pledged to secure general banking facilities granted to the Group.

## 22. LOAN RECEIVABLES

	2021 US\$'000	2020 US\$'000
Fixed-rate loan receivables	10,539	9,888

Unsecured loan receivables carry fixed-rate interest of 12% per annum (2020: 12% per annum) and with maturity of one year (2020: one year). All amounts of principal will be receivable on respective maturity dates.

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower, assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

There were no loan receivables past due at the end of the reporting period. The Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believe that there is no allowance or impairment required.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 23. CONTRACT ASSETS, CONTRACT COSTS AND CONTRACT LIABILITIES

The contract assets and contract costs of the Group are under the computer software and hardware and system development segment.

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Contract assets	<b>378</b>	83
Contract costs – pre-contract costs	<b>53</b>	19
<b>Total contract assets and contract costs</b>	<b>431</b>	102
<b>Contract receivables (included in trade receivables)</b>	<b>3,027</b>	5,696
<b>Contract liabilities</b>	<b>677</b>	140

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

– 2021	–	2,252
– 2022	<b>2,793</b>	422
– 2023	<b>215</b>	155
– 2024	<b>117</b>	–
	<b>3,125</b>	2,829

Significant changes in contract assets during the year:

	<b>Contract assets 2021 US\$'000</b>	<b>Contract liabilities 2021 US\$'000</b>	Contract assets 2020 US\$'000	Contract liabilities 2020 US\$'000
Increase due to operations in the year	<b>3,703</b>	<b>(2,618)</b>	4,479	(142)
Transfer of contract liabilities to revenue	–	<b>2,107</b>	–	–
Transfer of contract assets to receivables	<b>(3,422)</b>	–	(4,715)	–
Exchange adjustments	<b>14</b>	<b>(26)</b>	(9)	2

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 24. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.01% to 0.3% (2020: 0.001% to 0.5%) per annum with an original maturity of three months or less.

As at 30 June 2021, the bank balances and cash of the Group denominated in Renminbi (“RMB”) amounted to approximately US\$4,045,000 (2020: approximately US\$653,798). Conversion of RMB into foreign currencies subject to the PRC’s Foreign Exchange Control Regulations.

## 25. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period, and other payables:

	2021 US\$'000	2020 US\$'000
1 to 30 days	239	737
31 to 60 days	–	7
Over 60 days	455	4
<hr/>		
Trade payables	694	748
Accruals and other payables	1,158	2,986
<hr/>		
	<b>1,852</b>	<b>3,734</b>

The average credit period on purchases of goods is 30 to 60 days (2020: 30 to 60 days).

## 26. LOAN FROM A DIRECTOR

The amounts are unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	As at 30 June 2021 US\$'000	As at 30 June 2020 US\$'000	As at 30 June 2021 US\$'000	As at 30 June 2020 US\$'000
Within one year	218	356	200	340
In the second to fifth year, inclusive	96	–	91	–
	<b>314</b>	356		
Less: Future finance charges	<b>(23)</b>	(16)		
Present value of lease liabilities	<b>291</b>	340	<b>291</b>	340
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(200)</b>	(340)
Amount due for settlement after 12 months			<b>91</b>	–

At 30 June 2021, the average effective borrowing rate was 4.80% (2020: 4.80%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 28. BANK BORROWINGS

	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Secured bank borrowings	<b>1,497</b>	561
Unsecured bank borrowings	<b>–</b>	141
	<b>1,497</b>	702
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(881)</b>	(702)
Amount due for settlement after 12 months	<b>616</b>	–

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's fixed-rate bank borrowings are 3.85% to 4.85% (2020: 3.90% to 4.79%) per annum.

As at 30 June 2021, the amount of approximately US\$1,497,000 (2020: approximately US\$561,000) were secured by the trade receivables (note 21) and personal guarantee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 29. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	<b>Withholding tax on income derived in the PRC US\$'000</b>	<b>Intangible assets US\$'000</b>	<b>Total US\$'000</b>
At 1 July 2019	171	1,999	2,170
Charged to profit or loss	(5)	(221)	(226)
At 30 June 2020 and 1 July 2020	<b>166</b>	<b>1,778</b>	<b>1,944</b>
Charged to profit or loss	-	<b>(221)</b>	<b>(221)</b>
Dissolution of subsidiaries	<b>(166)</b>	-	<b>(166)</b>
At 30 June 2021	<b>-</b>	<b>1,557</b>	<b>1,557</b>

At 30 June 2021, the Group has estimated tax losses of approximately US\$4,327,000 (2020: approximately US\$9,418,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profits streams. Included in unrecognised tax losses, all can be carried forward indefinitely for the year ended 30 June 2021 (2020: included in unrecognised tax losses of approximately US\$4,043,000 and approximately US\$1,471,000 that will expire ranging from 2032 to 2041 and 2033 to 2041 respectively, and other losses may be carried forward indefinitely.)

At 30 June 2021, no deferred tax liability has been recognised in respect of temporary differences attributable to certain undistributed earnings of subsidiaries and as at 30 June 2020, no deferred tax liability has been recognised in respect of temporary differences attributable to certain undistributed earnings of subsidiaries of approximately US\$639,000 because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 30 June 2021, the Group has deductible temporary differences of approximately US\$29,000 (2020: approximately US\$988,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 30. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amounts HK\$'000</b>	<b>US\$ equivalent US\$'000</b>
Ordinary shares of HK\$0.1 each:			
<b>Authorised</b>			
At 1 July 2019, 30 June 2020 and 30 June 2021	20,000,000,000	200,000	25,747
<b>Issued and fully paid</b>			
At 1 July 2019, 30 June 2020 and 30 June 2021	1,326,701,739	132,670	17,045

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders of the Company (the “**Shareholders**”) through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings, net of cash and cash equivalents, and equity attributable to the owners of the Company, comprising issued share capital, share premium and reserves.

The Directors review the capital structure periodically taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 31. SHARE OPTIONS

Pursuant to a resolution passed on 22 November 2013, the Company has adopted a new share option scheme (the “**New Scheme**”), for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, expired on 21 November 2023. No further options can be granted under the share option scheme which was adopted on 16 April 2003 (the “**Old Scheme**”) which expired on 15 April 2013.

The New Scheme and the Old Scheme shall be valid and effective until the respective expiry dates, after which period no further share options will be granted but the provisions of these schemes shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto. Under the New Scheme and the Old Scheme, the Board of Directors may grant options to eligible employees, including executive Directors, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme and the Old Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the respective date of Shareholders’ approval of each scheme (the “**Scheme Mandate Limit**”) or, if such 10% limit is refreshed, at the date of Shareholders’ approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and the Old Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company’s shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company’s issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Shareholders.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per option. An option may be exercised in accordance with the terms of the New Scheme and the Old Scheme at any time during the respective effective period of each scheme to be notified by the Board of Directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors, and will not be less than the highest of the closing price of the Company’s share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 31. SHARE OPTIONS (Continued)

Details of the share options outstanding under the New Scheme during the year ended 30 June 2021 to subscribe for the shares in the Company are as follows:

The following tables disclose the movements in the Company's number of share options during the years:

### For the year ended 30 June 2021 and 2020

	Positions held in the Company	Outstanding at 30 June 2020 and 1 July 2020	Cancelled during the year	Outstanding at 30 June 2021	Grant date	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$
Mr. Zhang Sanhuo	Chairman and Executive Director	1,999,800	-	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		1,999,800	-	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
	2,000,400	-	2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83	
	5,430,000	-	5,430,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46	
	5,430,000	-	5,430,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46	
Mr. Chan Cheuk Ho	Executive Director	1,999,800	-	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		1,999,800	-	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		2,000,400	-	2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
		6,630,000	-	6,630,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		6,630,000	-	6,630,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
Sub-total for directors		<b>36,120,000</b>	<b>-</b>	<b>36,120,000</b>				
Consultants		18,260,000	-	18,260,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		18,260,000	-	18,260,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
		<b>36,520,000</b>	<b>-</b>	<b>36,520,000</b>				
Total		<b>72,640,000</b>	<b>-</b>	<b>72,640,000</b>				
Exercisable at the end of the year				<b>72,640,000</b>				
Weighted average exercise price (HK\$)				<b>0.52</b>				

Share options granted to consultants were incentives for helping the Group to provide professional advice in relation to the business and the operation of the Group. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 31. SHARE OPTIONS *(Continued)*

### For the year ended 30 June 2021 and 2020 *(Continued)*

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes pricing model does not necessarily provide a reliable measure of the fair value of the share options.

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES OF THE COMPANY

	2021 US\$'000	2020 US\$'000
<b>Non-current assets</b>		
Property, plant and equipment	–	1
Investments in subsidiaries	188	188
Trademark	–	2
	<b>188</b>	191
<b>Current assets</b>		
Other receivables	23	23
Loans to subsidiaries	9,359	9,359
Amounts due from subsidiaries	23,967	25,975
Bank balances and cash	49	107
	<b>33,398</b>	35,464
<b>Current liabilities</b>		
Other payables	193	253
Loan from a director	–	167
	<b>193</b>	420
<b>Net current assets</b>	<b>33,205</b>	35,044
<b>Net assets</b>	<b>33,393</b>	35,235
<b>Capital and reserves</b>		
Share capital	17,045	17,045
Reserve	16,348	18,190
<b>Total equity</b>	<b>33,393</b>	35,235

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES OF THE COMPANY (Continued)

The followings are the movements of the Company's reserve:

	Share premium US\$'000	Surplus account US\$'000	Share option reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 July 2019	58,306	9,036	1,996	(34,250)	35,088
Loss and total comprehensive loss for the year	–	–	–	(17,338)	(17,338)
Recognition of equity-settled share-based payments	–	–	440	–	440
At 30 June 2020 and 1 July 2020	58,306	9,036	2,436	(51,588)	18,190
Loss and total comprehensive loss for the year	–	–	–	(1,842)	(1,842)
At 30 June 2021	58,306	9,036	2,436	(53,430)	16,348

## 33. MAJOR NON-CASH TRANSACTIONS

### For the year ended 30 June 2020

Pursuant to the deed of capitalisation dated 5 June 2020 entered into between PINE Technology (BVI) Limited (“**PINE BVI**”), a non-wholly-owned subsidiary of the Company, and the non-controlling shareholder of PINE BVI (the “**Non-Controlling Shareholder**”), both parties agreed to capitalise the loan from the Non-Controlling Shareholder amounted to approximately US\$2,261,000 into 75 shares of PINE BVI. On the same date, PINE BVI and the Company have agreed to capitalise the loan from the Company amounted to approximately US\$12,810,000 into 425 shares of PINE BVI. On the date of completion, the Company remained holding 85% of the shareholding in PINE BVI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follow:

Name of subsidiary	Place of incorporation/ operation	Issued and paid-up capital	Percentage of ownership interest/voting power		Principal activities
			2021 (Note (a))	2020	
Advance Always Limited	British Virgin Islands ("BVI")	US\$1	85%	85%	Investment holding
All Advance Limited	BVI	US\$1	85%	85%	Investment holding
Best Standard Investment Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding
City Moon Limited	Samoa	US\$100	100%	100%	Investment holding
Colour Stream Holdings Limited	Samoa	US\$100	100%	100%	Investment holding
Elite View Development Ltd.	Hong Kong	HK\$1	85%	85%	Provision of services to group companies
Lizan Development Co., Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding
Pan Eagle Limited	BVI	US\$100	85%	85%	Investment holding
Pine Group Hong Kong Limited	Hong Kong	HK\$2	85%	85%	Investment holding
Pine Group Limited	BVI	US\$10,000 Common shares and US\$2,995, 729 Class A shares	85%	85%	Investment holding
Pine Technology Limited	Hong Kong	HK\$3	85%	85%	Wholesale and distribution of computer components
PINE Technology (BVI) Limited	BVI	US\$11,500	85%	85%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and paid-up capital	Percentage of ownership interest/voting power		Principal activities
			2021 (Note (a))	2020	
Pineview Industries Limited (Note (b))	Hong Kong	HK\$1,000 Ordinary shares and HK\$2,400,000 Non-voting 5% deferred shares	85%	85%	Provision of products and other facilities to group companies
Rong Xin Finance Limited	Hong Kong	HK\$10,000	100%	100%	Money lending business
Talent Crest Limited	Samoa	US\$100	100%	100%	Investment holding
Eternal Abundant Limited	BVI	RMB63,831	100%	100%	Investment holding
Soaring Eagle Technology Limited	BVI	RMB2,191,576	60%	60%	Investment holding
China UIP Information Technology Co., Limited (Note (c))	PRC	RMB14,898,780	60%	60%	Computer software and hardware and system development

### Notes:

- (a) The Company directly holds 85% (2020: 85%) of equity interest in PINE BVI and 100% (2020: 100%) of equity interest in Colour Stream Holdings Limited. The interests of all other companies are indirectly held by the Company.
- (b) Deferred shares of Pineview Industries Limited amounting to HK\$1,800,000 are not held by the Group. The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the company only after the distribution of HK\$1,000 million, as specified in the articles of association of Pineview Industries Limited, to holders of ordinary shares.
- (c) The subsidiary is wholly foreign-owned enterprise registered in the PRC.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the result of the Group.

None of the subsidiaries had any debt securities outstanding at 30 June 2021 and 30 June 2020 or at any time during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The table below shows details of non-wholly-owned subsidiaries of the Company that has material non-controlling interest:

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name	PINE BVI		Soaring Eagle Technology Limited	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Principal place of business/ country of incorporation	BVI/BVI		BVI/BVI	
% of ownership interests/ voting rights held by NCI	85%/15%		60%/40%	
<b>As at 30 June</b>				
Current assets	<b>588</b>	5,654	<b>12,436</b>	5,574
Non-current assets	<b>115</b>	79	<b>10,672</b>	12,147
Current liabilities	<b>(145)</b>	(1,596)	<b>(3,503)</b>	(1,427)
Non-current liabilities	<b>(30)</b>	(166)	<b>(2,174)</b>	(1,576)
	<b>528</b>	3,971	<b>17,431</b>	14,718
Accumulated NCI	<b>79</b>	596	<b>6,972</b>	5,887
<b>Year ended 30 June</b>				
Revenue and other income	<b>4,411</b>	95,343	<b>6,842</b>	6,886
(Loss)/profit for the year	<b>(3,396)</b>	(16,859)	<b>2,688</b>	1,610
Total comprehensive (loss)/income for the year	<b>(3,443)</b>	(17,148)	<b>2,713</b>	1,564
(Loss)/profit attributable to NCI	<b>(517)</b>	(2,529)	<b>1,075</b>	636
Net cash (outflow)/inflow from operating activities	<b>(3,223)</b>	4,173	<b>3,135</b>	67
Net cash inflow/(outflow) from investing activities	–	552	<b>(3)</b>	(2)
Net cash (outflow)/inflow from financing activities	–	(6,929)	<b>641</b>	142
Net cash (outflow)/inflow	<b>(3,223)</b>	(2,204)	<b>3,773</b>	207

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the years:

	Loans from directors US\$'000	Loan from a non- controlling shareholder of a subsidiary US\$'000	Lease liabilities US\$'000	Bank borrowings US\$'000	Other borrowings US\$'000	Total US\$'000
At 1 July 2019	-	2,261	1,096	6,892	-	10,249
Change in cash flows	391	-	(813)	(6,424)	-	(6,846)
Non-cash transaction						
- Capitalise the loan from the Non-Controlling Shareholder (Note 33)	-	(2,261)	-	-	-	(2,261)
- Interest expenses (Note 9)	-	-	57	290	-	347
- Exchange adjustments	-	-	-	(56)	-	(56)
At 30 June 2020 and 1 July 2021	<b>391</b>	<b>-</b>	<b>340</b>	<b>702</b>	<b>-</b>	<b>1,433</b>
Change in cash flows	<b>(391)</b>	<b>(44)</b>	<b>(469)</b>	<b>641</b>	<b>(20)</b>	<b>(283)</b>
Non-cash transaction						
- Addition of right-of-use assets	-	-	391	-	-	391
- Interest expenses (Note 9)	-	44	29	69	20	162
- Exchange adjustments	-	-	-	85	-	85
At 30 June 2021	<b>-</b>	<b>-</b>	<b>291</b>	<b>1,497</b>	<b>-</b>	<b>1,788</b>

## 36. EVENT AFTER THE REPORTING PERIOD

As at the approval date on these consolidated financial statements, the Group had no significant event after the reporting period which need to be disclosed.

## 37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 September 2021.



## FIVE YEARS FINANCIAL SUMMARY

	<b>Year ended 30 June</b>				
	2017 US\$'000	2018 US\$'000	2019 US\$'000	2020 US\$'000	<b>2021 US\$'000</b>
<b>RESULTS</b>					
Revenue	230,914	282,235	167,070	109,386	<b>12,219</b>
Cost of sales	(220,352)	(273,124)	(183,514)	(110,650)	<b>(7,827)</b>
Gross profit/(loss)	10,562	9,111	(16,444)	(1,264)	<b>4,392</b>
Other income	102	588	239	301	<b>250</b>
Selling and distribution expenses	(3,399)	(3,756)	(3,198)	(2,806)	<b>967</b>
General and administrative expenses	(10,440)	(12,540)	(14,712)	(11,796)	<b>(285)</b>
Other gains and losses	(1,201)	(1,626)	(9,154)	(3,228)	<b>(7,287)</b>
Finance costs	(888)	(625)	(509)	(347)	<b>(162)</b>
Loss before income tax	(5,264)	(8,848)	(43,778)	(19,140)	<b>(2,125)</b>
Income tax credit/(expense)	254	(441)	279	(113)	<b>34</b>
Loss for the year	(5,010)	(9,289)	(43,499)	(19,253)	<b>(2,091)</b>
<b>As at 30 June</b>					
	2017 US\$'000	2018 US\$'000	2019 US\$'000	2020 US\$'000	<b>2021 US\$'000</b>
<b>ASSETS, LIABILITIES AND EQUITY</b>					
Total assets	113,617	132,394	92,905	42,689	<b>39,616</b>
Total liabilities	(57,310)	(69,788)	(40,772)	(7,454)	<b>(6,223)</b>
	56,307	62,606	52,133	35,235	<b>33,393</b>
Equity attributable to owners of the Company	54,245	61,575	46,000	28,832	<b>26,534</b>

**PINE TECHNOLOGY HOLDINGS LIMITED**

松景科技控股有限公司 \*

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(於百慕達註冊成立之有限公司)

STOCK CODE 股份代號 1079

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